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www.mittel.it

Consolidated half-yearly financial report

(1 October 2016 - 31 March 2017)

132nd company year

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This is a translation of the Italian Half-Yearly Financial Report at 31 March 2017 prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.

Corporate bodies

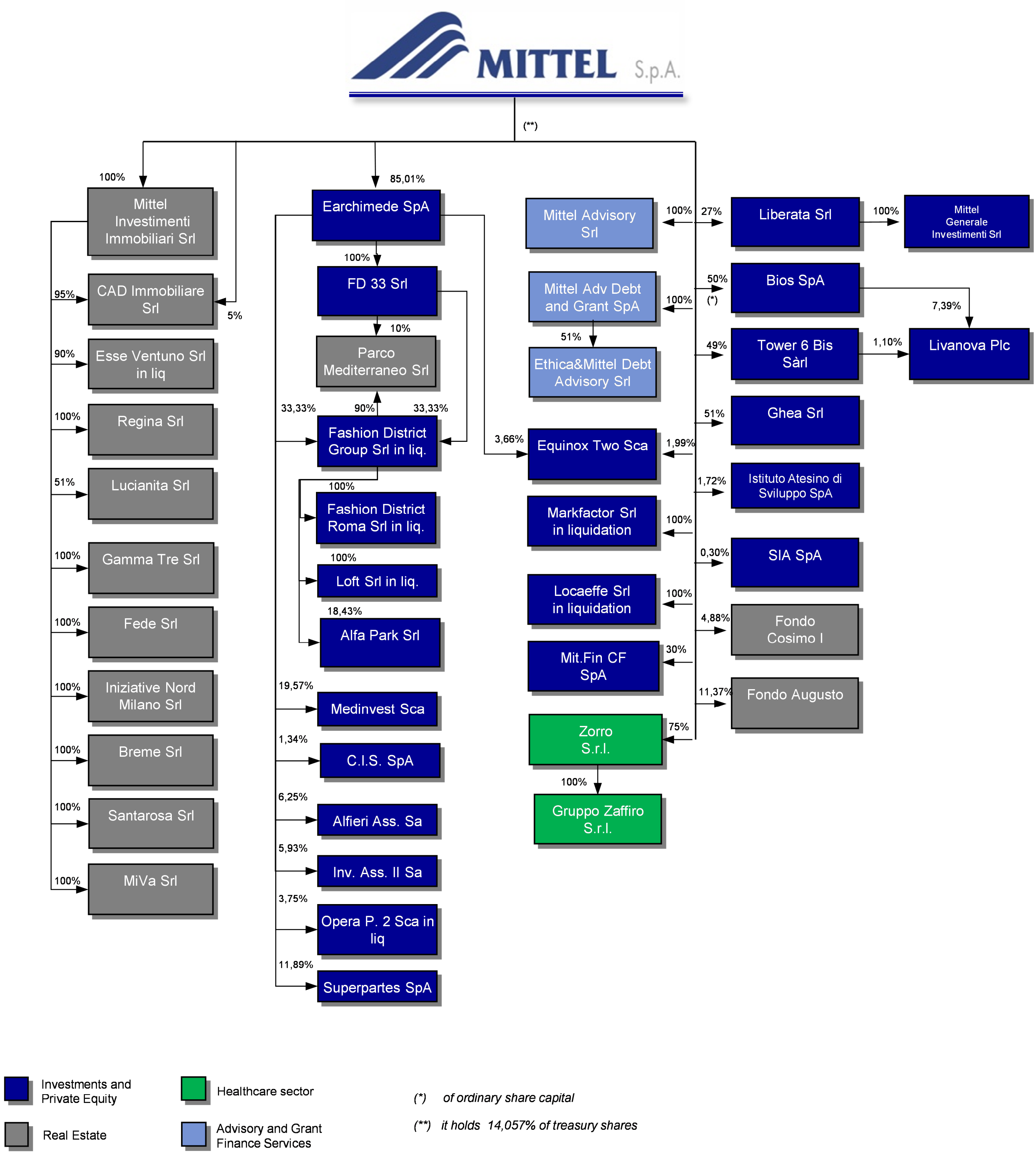
Board of Directors
Chairman and Chief Executive Officer
Rosario Bifulco
Deputy Chairmen
Marco Giovanni Colacicco (b)
Michele Iori (c)
Directors
Anna Cremascoli (a) (c) (d)
Anna Gervasoni (a) (b) (d) (e)
Giovanni Raimondi (a) (b)
Valentina Dragoni (*) (a) (c) (d)
Manager in charge of financial reporting
Pietro Santicoli

Board of Statutory Auditors
Standing auditors
Riccardo Perotta - Chairman
Maria Teresa Bernelli
Fabrizio Colombo
Alternate auditors
Aida Ruffini
Giulio Tedeschi
Independent Auditors
KPMG S.p.A.

(a) Independent Director
(b) Member of the Control and Risks Committee
(c) Member of the Remuneration and Appointments Committee
(d) Member of the Related Party Committee
(e) Lead Independent Director
(*) Co-opted by the Board of Directors of the Company on 11 April 2017, following the resignation of Anna Maria Tarantola.

The duration of the Company shall be until 31 December 2100, as stated in art. 4 of the Articles of Association.

Group Structure as at 24 May 2017



(*) of ordinary share capital

(**) it holds 14,057% of treasury shares

Directors’ Report on Operations

Introduction

On 30 March 2016 in the year ending 30 September 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, whose guidelines for the next few years focus on the development of investments with a view to permanent capital, the enhancement of assets in the portfolio and the gradual exit from real estate and lending activities. Following approval of the Strategic Plan, the Mittel Group launched a major process of repositioning on the Italian financial market. The company aims to create value for the shareholders by becoming a dynamic, efficient holding company focusing on majority investments in Italian small and medium enterprises with a high cash-generating capacity.

Following approval of the Plan, action already began in the year ending 30 September 2016 to implement the defined strategies, which envisaged the launch of the process to streamline the Group’s corporate structure and the disposal of non-core assets. Among the main transactions denoting the start of the process were:

- the disposal in September 2016, through the investees Bios S.p.A. (50%) and Tower 6 Bis S.à r.l. (49%), held in partnership with Equinox Two S.c.a., of a non-controlling interest in Livanova Plc (listed on the NASDAQ stock exchange);
- again in September 2016, the disposal of almost all its non-controlling interest, including the associated bond loan, held in Credit Access Asia N.V. (a multinational microfinance operator).

During the first half of 2016/2017, particularly in November 2016, consistent with the Plan guidelines, an acquisition was completed with a total investment of around EUR 21,5 million (including a bridge loan for EUR 8,0 million by Mittel S.p.A.) for 75% of Gruppo Zaffiro S.r.l., a major player in the Italian healthcare industry. This transaction formed part of a much broader Mittel S.p.A. project in this sector, in which the Zaffiro Group investment is consistent with and complementary to other opportunities being studied. The Zaffiro Group, in fact, represents a solid platform on which to create a business combination process with other local operators in the healthcare sector, with the aim of becoming a reference point for the sector within a few years, a clear structural growth trend associated with demographic and social factors, and a still highly fragmented services structure with significant room for combination. The income statement figures as at 31 March 2017 therefore include the effects of consolidation of the group acquired for the five-month period between the date control was acquired and the closing date of the half-year.

In parallel, the operating cost containment measures and the valuation of non-core assets in the portfolio in order to generate new funding for investments have continued. In particular, two agreements for a total of EUR 7,7 million were signed in December 2016. In detail:

- a binding agreement was signed for disposal of the 21,81% interest in the share capital of Castello SGR S.p.A. for a total of EUR 6,7 million;
- the disposal of the investment in Credit Access Asia NV was finalised, with the sale of the residual interest held for EUR 1,0 million.

In addition, after the end of the half-year, on 15 May 2017 Mittel S.p.A. announced an issue of Bonds (described in greater detail in the ‘subsequent events’ section later in this report) for an approximate maximum of EUR 175 million aims to refinance the bonds currently outstanding, issued by Mittel in 2013 for around EUR 100 million, optimising the debt structure in terms of costs and maturity and, at the same time, potentially increasing the funds available for the development of investment activities.

Group Performance

The condensed half-yearly consolidated financial statements as at 31 March 2017 show a loss of EUR 1,2 million (of which EUR 1,1 million pertaining to the Group), marking a net improvement on the loss of EUR 8,6 million in the first half of the previous year (of which EUR 8,2 million pertaining to the Group).

The period result is largely explained by the net effect of:

- revenue and other operating income for a total of EUR 14,1 million, of which EUR 10,3 million relating to revenue achieved by the Zaffiro Group (healthcare sector) since the date of initial consolidation, EUR 1,8 million to the Real Estate sector (including the effect of sales of property inventories during the period for EUR 7,7 million, other revenue for EUR 0,3 million and increases in inventories for EUR 0,5 million, net of the offloading of selling costs for EUR 6,7 million) and EUR 1,5 million to the Advisory sector;
- operating costs for EUR 17,3 million, of which EUR 9,6 million referring to the healthcare sector, EUR 4,1 million to Mittel S.p.A., EUR 1,7 million to the Real Estate sector and EUR 1,6 million to the Advisory sector;
- net profit and value adjustments to investments, available-for-sale financial assets and receivables, which made an overall positive contribution to the income statement for EUR 3,1 million (note the overall positive contribution of EUR 3,5 million attributable to Castello SGR);
- loss from financial management for EUR 1,6 million (explained by the net effect of financial expenses for EUR 4,1 million, largely attributable to the bond issue, and income totalling EUR 2,5 million).

A net improvement was recorded in EBITDA, positive for EUR 1,1 million (negative for EUR 7,0 million in the period of comparison), associated with continued action to implement the Strategic Plan, such as the launch of investments with a view to permanent capital, with subsequent line-by-line consolidation of the operating profit/loss of the companies acquired (in the half-year, those relating to the Zaffiro Group, operating in the healthcare sector), streamlining of holding operating costs and those of the Group's traditional operating segments, and the realisation of assets in the sector in question that were not strictly functional to future development programmes.

As at 31 March 2017 consolidated Group equity amounted to EUR 235,0 million, marking a decrease of EUR 18,0 million compared to EUR 253,0 million as at 30 September 2016, mainly due to the net effect of:

- recognition in the income statement of a loss of EUR 1,1 million pertaining to the Group;
- a net decrease of EUR 16,9 million compared to 30 September 2016 of the market value of listed securities and other available-for-sale financial assets (mainly referring to the listed share of Livanova held by two consolidated companies and measured using the equity method), recorded among other comprehensive income as a balancing entry to the valuation reserve.

The net financial position came to EUR 62,5 million, compared to EUR 54,5 million as at 30 September 2016. The difference is explained by the Group's use of liquidity to acquire the Zaffiro Group (around EUR 21,5 million), which also led to the recognition of financial liabilities (totalling approximately EUR 12,4 million) against the estimated fair value of the potential deferred contractual price. Net of these effects, therefore, a positive trend was seen in the Group's net financial position, attributable amongst other things to amounts collected on a non-current financial receivable and sales of property inventories during the period. Also note that immediately after 31 March 2017, the net financial position benefited from completion of the sale of Castello SGR S.p.A., which resulted in a further collection of EUR 6,7 million.

Financial highlights of the Mittel Group

The economic, equity and financial tables below are shown in reclassified form with respect to those contained in subsequent paragraphs, in order to highlight certain intermediate results and the equity and financial aggregates deemed most significant for understanding the Group's operating performances. These amounts, even though not provided for by IFRS, are supplied in compliance with the indications in Consob Communication no. 6064293 of 28 July 2006 and CESR Recommendation dated 3 November 2005 (CESR/05-178b).

This report contains several financial ratios, deriving from the financial statements, which provide an overview of the Group's economic, equity and financial performances, both in terms of the change with respect to comparative historical data and the incidence on other values for the same period.

Details of economic items not taken directly from the financial statements, and comments and evaluations, also help to better qualify the trends in the different values.

Note that as a result of the acquisition of control of the Zaffiro Group - on 9 November 2016 - the half-year under review in this report includes significant changes due to inclusion in the line-by-line consolidation scope of companies attributable to the group acquired. These changes mean that the economic performance and result for the period as at 31 March 2017 are essentially not comparable with the same period of the previous year.

Main economic, financial and equity figures of the Group

(Thousands of Euro)		31.03.2017	31.03.2016
Revenue		**14.107**	**4.377**
Purchases, provision of services, sundry costs		(9.933)	(8.710)
Personnel costs		(7.320)	(3.829)
Operating costs		**(17.253)**	**(12.539)**
Gains (losses) from investments		4.231	1.130
Operating margin (EBITDA)		**1.085**	**(7.033)**
	EBITDA %	*7,69%*	*n.s.*
Amortisation/depreciation, allocations and adjustments to non-current assets		(423)	(305)
Value adjustments to financial assets, loans and receivables		(1.109)	(267)
Share of income (loss) of investments		142	(649)
Operating result (EBIT)		**(304)**	**(8.253)**
	EBIT %	*n.s.*	*n.s.*
Profit (loss) from financial management		(1.675)	(1.290)
Profit (loss) from trading of financial assets		227	(88)
Profit (loss) before taxes		**(1.753)**	**(9.631)**
Taxes		588	1.050
Profit (loss) from continuing operations		**(1.165)**	**(8.581)**
Profit (loss) from discontinued operations		-	-
Net profit (loss) for the year		**(1.165)**	**(8.581)**
Profit (loss) pertainig to non-controlling interests		80	430
Profit (loss) pertainig to the Group		**(1.085)**	**(8.151)**

The income statement figures commented on refer to the reclassified tables shown above. Details of the most significant items are shown below.

- **Revenue**: this reclassified item includes balance sheet revenue, other income and the variations in property inventories and as at 31 March 2017 were positive at EUR 14,1 million, compared to the positive contribution for EUR 4,4 million as at 31 March 2016, marking an improvement of EUR 9,7 million. This variation was the combined result of the following factors:
  (i) revenue recognition for EUR 19,7 million (EUR 3,1 million as at 31 March 2016), marking an increase of EUR 16,6 million, mainly due to the effect of initial consolidation of the healthcare segment (which as at 31 March 2017 had contributed EUR 10,3 million to this item) following the acquisition of the Zaffiro Group (in November 2016). An increase of EUR 6,2 million was also seen in revenue from the Real Estate segment (from EUR 1,6 million in the first half of last year to EUR 7,7 million recorded as at 31 March 2017);
  (ii) other income for EUR 0,6 million (up by EUR 0,2 million versus the corresponding period);
  (iii) the negative variation of EUR 6,2 million in property inventories (i.e. the net value between the increase in inventories for property development, the reduction for the sales of living units and write-downs), which was positive for EUR 0,9 million as at 31 March 2016. The negative contribution recorded this year is explained by the net effect of offloading selling costs for EUR 6,7 million and the increase in capitalised costs for EUR 0,5 million.

- **Costs for purchases, provision of services, sundry costs**: this item totalling EUR 9,9 million (EUR 8,7 million in the first half of the previous year) includes costs for purchases of EUR 1,6 million (in line with the corresponding period of the previous year), costs for services of EUR 7,1 million (EUR 5,2 million as at 31 March 2016), sundry costs of EUR 1,2 million (EUR 1,9 million in the first half of the previous year). Net of EUR 4,7 million in costs due to the initial consolidation of the healthcare segment, which also include the non-recurring effect of recognition pursuant to IFRS 3 of costs associated with the acquisition for around EUR 0,5 million, the item reflects a consistent reduction in operating costs for the operating segments already included in the Group consolidation (quantifiable as a total of EUR 3,5 million), mainly the result of continued implementation of the 2016-2019 Strategic Plan guidelines which, amongst others, envisage cost containment for the holding and for operating segments considered non-strategic to the Group's future development.

- **Personnel costs**: this item amounted to EUR 7,3 million, compared EUR 3,8 million in the same period of the previous year, marking an overall increase of EUR 2,8 million. Net of EUR 4,8 million of personnel costs for the healthcare business acquired during the half-year, absent in the corresponding period, this item therefore saw a considerable decrease of EUR 1,3 million, mainly attributable for EUR 0,8 million to the reduced personnel costs of Mittel S.p.A. (and a merged entity) and for EUR 0,5 million to the essential elimination of personnel costs of Fashion District Group S.r.l. in liquidation and its subsidiaries.

- **Gains (losses) from investments**: this item totalling EUR 4,2 million (EUR 1,1 million in the corresponding period of the previous year) is comprised entirely of profit from management of financial activities and investments.
  During the half-year in particular, this item included profit for around EUR 3,3 million from the deconsolidation of the investment in Castello SGR S.p.A. (up to that point consolidated at equity). The deconsolidation and the consequence of loss of significant influence in December 2016, with same-time signing of a sale agreement for the entire investment, the provisions of which determined, amongst other things, the loss of representation on the Board of Directors and, in more general terms, the option of participating in decisions regarding the company's financial and management policies. This deconsolidation result is in addition to the pro-rata profit recorded on the same investment in the final period of consolidation (October 2016-December 2016), amounting to around EUR 0,2 million (classified under "share of income (loss) of investments" in the income statement), with a total contribution to the consolidated income statement by the investee that was positive for EUR 3,5 million.
  As a result of the deconsolidation, the fair value of the asset held (EUR 6,7 million) was classified under financial assets and, due to the agreement signed in December 2016, further reclassified in the statement of financial position as at 31 March 2017 under assets held for sale. This value corresponds with the fair value of the investment implicit in the sale agreement and was collected in full in April 2017 on finalisation of the transaction after obtaining Supervisory Authority approval.
  A further significant contribution to the item is attributable to the disposal during the half-year of the residual interest in Credit Access Asia NV, a microfinance multinational, which led to recognition in the income statement of profit for EUR 0,6 million.

- **Operating margin (EBITDA)**: the positive result for EUR 1,1 million marks an improvement of EUR 8,1 million compared to the negative EUR 7,0 million of the previous year. The important increase in

EBITDA is explained by the effect of amounts already commented and, as described previously, is associated with continued implementation of the Strategic Plan.

- **Amortization/depreciation, allocations and adjustments to non-current assets**: these amounted to EUR 0,4 million compared to EUR 0,3 million in the corresponding period of the previous year. This item is explained almost entirely by amortization and value adjustments to property, plant and equipment for EUR 0,4 million (around EUR 0,1 million in the comparison period). The net allocations to provisions for risk were immaterial, however (equal to around EUR 0,2 million as at 31 March 2016).

- **Value adjustments to financial assets, loans and receivables**: this item amounts to EUR 1,1 million (EUR 0,3 million as at 31 March 2016) and mainly includes the effects of:
  (i) the fair value adjustment applied by Mittel S.p.A. in reference to the Fondo Augusto, resulting in a value adjustment for EUR 0,7 million;
  (ii) the fair value adjustment on the investment held by Mittel S.p.A. and Earchimede S.p.A. in the investment vehicle Equinox Two, which led to a total adjustment of EUR 0,3 million.

- **Share of income (loss) of investments**: this item, amounting to a positive EUR 0,1 million, recorded an improvement of EUR 0,7 million compared to the negative EUR 0,6 million in the corresponding period of the previous year.

- **Operating result (EBIT)**: a negative EUR 0,3 million, a clear improvement compared to the negative EUR 8,3 million in the comparison period due to the trends in items commented previously.

- **Profit (loss) from financial management**: negative for EUR 1,7 million (EUR 1,3 million as at 31 March 2016). The item is mostly attributable to the negative contribution of EUR 2,5 million of the Parent Company Mittel S.p.A., influenced by interest expense accrued on the bond loan and on bank loans, offset mainly by the positive contribution of EUR 0,8 million from the subsidiary Ghea S.r.l. as interest income accrued on the receivable due to said entity from Bios S.p.A.

- **Profit (loss) from trading of financial assets**: this item made a marginal contribution to the consolidated income statement, with a positive balance of around EUR 0,2 million, marking an improvement compared to the negative EUR 0,1 million in the previous year.

- **Taxes**: this item has a positive effect for EUR 0,6 million on the consolidated income statement (a positive contribution of EUR 1,1 million in the comparison period), mainly due to the release of deferred tax liabilities previously recognised in the consolidated financial statements of the subsidiaries Fashion District Group S.r.l. in liquidation for EUR 1,3 million and Fashion District Roma S.r.l. in liquidation for EUR 0,6 million. The positive effect was mitigated by the release of deferred tax assets recognised by Fashion District Group S.r.l. in liquidation for EUR 1,0 million, and to the allocation of deferred tax liabilities for EUR 0,2 million in relation to the value adjustment to the receivable owed to Ghea S.r.l. by Bios S.p.A.

Main financial and equity figures of the Group

(Thousands of Euro)	31.03.2017	30.09.2016
Intangible assets	40.479	41
Property, plant and equipment	5.639	3.764
Investments	58.223	88.133
Non-current financial assets	126.082	137.958
Non-current assets (liabilities) held for sale	6.700	-
Provisions for risks, employee severance indemnity and employee benefits	(4.371)	(3.185)
Other non-current assets (liabilities)	964	(163)
Tax assets (liabilities)	1.785	2.590
Net working capital (*)	84.757	98.100
Net invested capital	**320.258**	**327.239**
Equity pertaining to the Group	(235.022)	(252.971)
Non-controlling interests	(22.709)	(19.782)
Total Equity	**(257.732)**	**(272.754)**
Net financial position	**(62.527)**	**(54.485)**

Intangible assets amounted to EUR 40,5 million, up compared to EUR 0,1 million as at 30 September 2016. The considerable increase of EUR 40,4 million is due to the goodwill recognised on the acquisition, through an SPV in which Mittel S.p.A. has a 75% interest, of 100% of Gruppo Zaffiro S.r.l., the company headed by the Zaffiro Group operating in the healthcare sector. A prime component of the goodwill, amounting to approximately EUR 28,0 million, refers to the provisional recognition, in compliance with IFRS 3 and pending completion of the purchase price allocation process within 12 months of the acquisition, of the positive difference between the spot price paid and the net value of the amounts at the acquisition date of assets and liabilities taken over by the Group as part of the business combination. The additional component of goodwill, totalling EUR 12,4 million, is attributable to the best estimate at the acquisition date of the fair value of the potential deferred price contractually agreed with the seller, and is recognised for EUR 5,0 million as a balancing entry to other current financial liabilities (as associated with the price adjustment due for payment in the short term) and the remaining EUR 7,4 million as a balancing entry to other non-current financial liabilities (against contractual agreements that link amounts due to the seller to future profit of the group of companies acquired).

Property, plant and equipment amounted to EUR 5,6 million compared to EUR 3,8 million as at 30 September 2016, marking an increase of EUR 1,8 million attributable mainly to the initial consolidation of the Zaffiro Group, which as at 31 March 2017 contributed EUR 2,0 million to the consolidated figure.

Investments (measured using the equity method) totalled EUR 58,2 million, compared to EUR 88,1 million as at 30 September 2016, marking a decrease of EUR 29,9 million. The decrease is mainly due to:

i. the lower market value of the listed Livanova Plc share held through the vehicles Bios S.p.A., which recorded a decrease of EUR 15,4 million (from EUR 50,7 million to EUR 35,3 million) and Tower 6 Bis S.a.r.l., which decreased by EUR 11,1 million (from EUR 28,1 million to EUR 17,0 million);
ii. the deconsolidation of the investment in Castello SGR S.p.A. for EUR 3,3 million (due to the loss of significant influence) and subsequent classification as a financial asset (held for sale as at the close of the half-year), for which, as previously described, the disposal was finalised in the period immediately after close of the half-year.

Non-current financial assets amounted to EUR 126,1 million, compared to EUR 138,0 million as at 30 September 2016, marking a decrease of EUR 11,9 million. This change is attributable for EUR 8,5 million to the decrease in non-current financial receivables from EUR 100,2 million to EUR 91,6 million as a result of collections during the half-year on a credit position of the Parent Company (for EUR 10,2 million), for EUR 3,4 million to other non-current financial assets down from EUR 37,8 million to EUR 34,4 million mainly due to the effect of the disposal described previously (for EUR 1,0 million) of the residual interest in Credit Access Asia NV held as at 30 September 2016, and to the fair value adjustments (for EUR 1,2 million and EUR 0,7 million, respectively) to the financial assets Equinox Two and Fondo Augusto.

The **assets held for sale** total EUR 6,7 million and refer entirely to the fair value implicit in the sale agreement for the financial asset held in Castello SGR S.p.A., which was deconsolidated (as an investment consolidated at equity) due to the loss of significant influence. As it was still held as at 31 March 2017 pending finalisation of the sale in the days that immediately followed the close of the half-year, this financial asset was classified among assets held for sale.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 4,4 million, compared to EUR 3,2 million as at 30 September 2016, marking an increase of EUR 1,2 million. In particular, as at 31 March 2017, this item is composed, for EUR 2,7 million, of *Provisions for personnel* (EUR 1,4 million as at 30 September 2016) and, for EUR 1,7 million, of *Provisions for risks and charges* (EUR 1,8 million as at 30 September 2016). The increase in provisions for personnel is mainly due to the effects of initial consolidation of the Zaffiro Group, which as at 31 March 2017 contributed EUR 1,5 million to this item.

The item **other non-current assets (liabilities)** changed from a negative EUR 0,2 million to a positive EUR 1,0 million, marking an increase of approximately EUR 1,2 million. The balance as at 31 March 2017 is explained by the difference between sundry payables and other non-current liabilities for EUR 0,1 million (EUR 0,5 million in the comparison period) and sundry receivables and other non-current assets for EUR 1,1 million (EUR 0,3 million in the comparison period), the latter increasing as a result of the EUR 0,8 million contribution of the Zaffiro Group.

The item **net tax assets** amounted to EUR 1,8 million (EUR 2,6 million in the comparison period), and is composed of the sum of deferred tax assets of EUR 0,2 million (EUR 1,3 million in the comparison period) and current tax assets of EUR 9,5 million (EUR 10,8 million as at 30 September 2016), offset by deferred tax liabilities of EUR 7,7 million (EUR 9,5 million in the previous year) and current tax liabilities for EUR 0,3 million (immaterial in the comparison period).

Net working capital amounted to EUR 84,8 million, compared to EUR 98,1 million as at 30 September 2016. The item is composed of the value of property inventories of EUR 93,4 million (EUR 99,6 million in the previous year), sundry receivables and other current assets totalling EUR 9,5 million (EUR 8,5 million in the previous year) and sundry payables and other current liabilities amounting to EUR 18,2 million (EUR 10,0 million in the comparison period).
The EUR 8,2 million increase in sundry payables was significantly affected by the balancing entry for this item of EUR 6,3 million collected by Mittel S.p.A. from a tax dispute. This amount was suspended in equity pending confirmation of the collection in the final judicial decision.
The decrease in property inventories, for a total of EUR 6,2 million, is instead essentially explained by the net effect of the decrease for offloading of selling costs of EUR 6,7 million and the increase in capitalised costs for EUR 0,5 million.

As a result, **net invested capital** decreased by around EUR 6,8 million to EUR 320,3 million, compared to EUR 327,2 million in the previous year, financed by equity for EUR 257,7 million and by the net financial position for EUR 62,5 million.

Equity pertaining to the Group amounted to EUR 235,0 million, marking a decrease of EUR 18,0 million compared to the EUR 253,0 million of 30 September 2016, while non-controlling interests, amounting to EUR 22,7 million, increased by EUR 2,9 million. Total equity thus amounted to EUR 257,7 million, marking a decrease amounting to EUR 15,1 million on the EUR 272,8 million in the previous year.
The decrease in equity pertaining to the Group is mainly due to the negative variation in the valuation reserve for a total of EUR 16,9 million, in turn largely explained by:

- the EUR 18,3 million reduction in the valuation reserve of the equity-accounted investees, Bios S.p.A. and Tower 6 Bis S.à.r.l. (against the decrease in the market value of the listed share of Livanova Plc held through these two companies);
- the EUR 2,8 million increase in the valuation reserve on listed UBI Banca shares (EUR 2,4 million) and Intesa Sanpaolo shares (EUR 0,4 million) held by the Parent Company Mittel S.p.A.;
- the zeroing out of the positive valuation reserve (for EUR 0,7 million) recorded as at 30 September 2016 on the Equinox Two S.c.a. financial asset;
- the release (due to realisation of the related profit in the income statement) of the positive reserve recorded as at 30 September 2016 on the residual interest in Credit Access sold during the half-year.

The further change in equity pertaining to the Group is due to the effect of recognition of the loss for the period of EUR 1,1 million.

Given the performance of consolidated equity and profit figures described above, the negative **net financial position** increased by EUR 8,0 million to reach EUR 62,5 million.
The most significant factors explaining this increase are:

- the liquidity used in November by the Mittel Group to acquire the Zaffiro Group (around EUR 21,5 million);
- the recognition of financial liabilities (for a total of approximately EUR 12,4 million) against the estimated fair value of the potential deferred price for the Zaffiro Group acquisition transaction;
- the collections totalling EUR 10,2 million during the half-year on a non-current credit position held by the Parent Company;
- the collection by Mittel S.p.A. of EUR 6,3 million from a tax dispute;
- the collections totalling EUR 7,7 million from sales of property inventories during the half-year.

As regards the detailed breakdown of the net financial position, however, reference should be made to the table below which primarily shows the increases of EUR 11,0 million and EUR 1,7 million, respectively, in bank cash and cash equivalents and securities, and the decrease of EUR 4,2 million in bank loans and borrowings, countered by the EUR 10,7 million decrease in current financial receivables and the EUR 13,9 million increase in other financial payables.

Statement relating to the net financial position

(Thousands of Euro)	**31.03.2017**	**30.09.2016**	**Variations**
Cash	34	15	18
Other cash equivalents	95.977	84.974	11.002
Securities held for trading (*)	8.589	6.909	1.679
Current liquidity	**104.599**	**91.899**	**12.700**
Current financial receivables	**22.294**	**32.951**	**(10.656)**
Bank loans and borrowings	(73.722)	(77.872)	4.150
Bonds	(99.477)	(99.183)	(294)
Other loans and borrowings	(16.221)	(2.280)	(13.942)
Financial debt	**(189.420)**	**(179.335)**	**(10.085)**
Net financial position	**(62.527)**	**(54.485)**	**(8.042)**

(*) Available-for-sale assets posted under current assets and financial assets held for trading were reclassified to this item.

Sector performance

During the previous year, on 30 March 2016 and following the appointment a few months earlier of the new Chief Executive Officer, Rosario Bifulco, Mittel approved the 2016-2019 Strategic Plan focusing on the enhancement of non-core assets in the portfolio (listed securities, real estate and lending) and/or non-performing assets in order to generate new funds for the development of activities for the investment in the risk capital of Italian small and medium enterprises with a high level of cash flow generation.
Unlike in the past, new Mittel S.p.A. investments will focus on acquiring controlling interests and will be carried out with a view to permanent capital and the aim of achieving business strategies that contribute to creating long-term value, with a preference for build-up and chain projects.

In the previous year, the Company concentrated its efforts on activities preliminary to the launch of investing activities, which in this half-year saw completion of the first acquisition representing a 75% interest in the capital of Gruppo Zaffiro S.r.l., a major player in the Italian healthcare industry.
The acquisition, which aims to create a base for combining operators in the reference sector, was finalised on 9 November last year and, through Zorro S.r.l., saw Mittel S.p.A. take 75% of Gruppo Zaffiro S.r.l., with a reinvestment by management (Gabriele Ritossa, a founder of the Group who has retained the role of Chief Executive Officer) for the remaining 25%.
The transaction, with a Mittel investment on closing of EUR 21,5 million, of which EUR 8,0 million as a loan, will be subject to a price adjustment - currently being defined - based on the closing figures of Gruppo Zaffiro S.r.l. as at 31 December 2016 and, in future years, to potential subsequent adjustments based on returns generated by the 8 operating structures as at the date of acquisition of Gruppo Zaffiro S.r.l. (around 900 beds).

With regard to the process of generating funds, note in particular the collection by Mittel S.p.A. during the half-year of a dividend from the investee Tower 6 bis S.a.r.l. for EUR 8,2 million and the repayment, for EUR 8,0 million, of part of the receivable due from Ghea S.r.l., both as a result of the partial disposal process of the investment in Livanova Plc in September 2016, details of which were provided in the 2016 Annual Financial Report.
During the period, disposal of the investment in Credit Access Asia N.V., with collection of EUR 1,0 million (a total of EUR 11,6 million including the previous year) as well as the partial repayment, for EUR 10,2 million, of the Vendor Loan disbursed by Mittel to Liberata S.r.l. in relation to the disposal in 2012 of 100% of the share capital of Mittel Generale Investimenti S.p.A. (now Mittel Generale Investimenti S.r.l.). Then in May 2017, as part of the investee streamlining process, the Shareholders' Meetings of Liberata S.r.l. and Mittel Generale Investimenti S.r.l. resolved to approve their merger plan.
Lastly, in December 2016 preliminary agreement was signed, finalised in April 2017, for disposal of the 21,81% investment in Castello SGR S.p.A. to Maire Investments S.p.A. This transaction led to the collection of EUR 6,7 million, with a positive impact on consolidated income of EUR 3,5 million (see the paragraph "Main economic, financial and equity figures of the Group" for further details).

In order to enhance the debt management know-how developed over the years, in terms of advisory services, the sector considered to be in synergy with investment activities, this half-year saw the operational start-up of Ethica&Mittel Debt Advisory S.r.l., established in October 2016 in partnership with the operator Ethica Corporate Finance S.p.A.

In view of these events, as at 31 March 2017, the Mittel Group activities break down into the following operating sectors:

- **Private Equity and Investments**: the Group's activities essentially relate to making investments in the risk capital of companies, listed or unlisted, with a view to permanent capital, performed directly by Mittel or indirectly through investment sub-holdings or, to a residual extent, through subscription to specialise closed-end funds managed by international or Italian asset management companies (SGRs);

- **Healthcare**: following the acquisition of a 75% interest in the capital of Gruppo Zaffiro S.r.l., the Group now operates in the healthcare sector. Gruppo Zaffiro S.r.l. operates in the Italian healthcare industry, providing long-term care services;

- **Real Estate**: in the Real Estate sector and to a residual extent, the Group carries out real estate development transactions, largely of a residential/services nature. The Group's investments in these real estate transactions were implemented through investees in which non-controlling interests were held, in the past, by businesses external to the Group. Mittel also holds units in two real estate funds;

- **Advisory Services and Grants Finance**: the Group's activities target Italian corporate customers, private equity funds and institutions consisting of: services involving support for M&A operations and in privatisation processes; assistance with debt restructuring activities, debt raising or share capital operations through the search for shareholders for share capital increases or private placements, and support in obtaining subsidised loans for research, development or other initiatives.

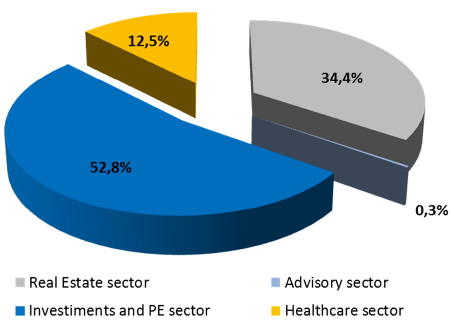
Information by business segment

The business segments detailed above form the basis of the strategically defined activities and of the operational control by management and, therefore, constitute the key elements of information used for the management of the Group, in accordance with IFRS 8. The segmentation of Group activities by geographical area is not significant, given that Group activities are concentrated at national level.

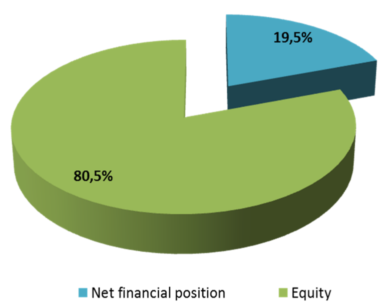
Sector-based groupings are defined by the following groups of (main) Companies:

- Private Equity and Investments sector: Mittel S.p.A.; Bios S.p.A; Ghea S.r.l.; Earchimede S.p.A.; Tower 6 Bis S.à r.l.. Following the inclusion of the former Entertainment/Outlet sector, this sector now also includes Fashion District Group S.r.l. in liquidation;
- Healthcare sector: Zorro S.r.l.; Gruppo Zaffiro S.r.l.;
- Real Estate sector: Mittel Investimenti Immobiliari S.r.l.; Breme S.r.l.; CAD Immobiliare S.r.l.; Fede S.r.l.; Gamma Tre S.r.l.; Iniziative Nord Milano S.r.l.; Lucianita S.r.l.; MiVa S.r.l.; Santarosa S.r.l.; Regina S.r.l.; Parco Mediterraneo S.r.l. and the Augusto and Cosimo I real estate funds;
- Advisory Services and Grants Finance sector: Mittel Advisory S.r.l.; Mittel Advisory Debt and Grant S.p.A. and Ethica&Mittel Debt Advisory S.r.l.

- INVESTED CAPITAL -
EUR 320,3 million



- SOURCES OF FINANCING -
EUR 320,3 million



INCOME STATEMENT BY BUSINESS SEGMENT AND CONTRIBUTIONS TO GROUP RESULTS

31 March 2017

Figures in millions of Euro	31 March 2017									
AGGREGATE / CONSOLIDATED	**Revenue**	**Operating costs**	**Gains (losses) from investments**	**EBITDA**	**Amortization/ depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) from financial management**	**Taxes**	**Profit (loss) pertaining to non-controlling interests**	**Profit (loss) pertaining to the Group**
Investments and PE Sector	0,7	(4,3)	4,2	0,7	(0,6)	0,1	0,2	0,5	(0,0)	0,9
Healthcare Sector	10,4	(9,6)	0,0	0,8	(0,3)	0,0	(0,4)	(0,3)	(0,0)	(0,1)
Real Estate Sector	1,8	(2,0)	0,0	(0,2)	(0,5)	0,0	(1,3)	0,3	(0,0)	(1,6)
Advisory Sector	1,5	(1,7)	0,0	(0,2)	(0,1)	0,0	(0,0)	0,0	0,0	(0,3)
IC ELIMINATION	(0,3)	0,3	0,0	0,0	0,0	0,0	0,0			
CONSOLIDATED TOTAL	**14,1**	**(17,3)**	**4,2**	**1,1**	**(1,5)**	**0,1**	**(1,4)**	**0,6**	**(0,1)**	**(1,1)**

31 March 2016

Figures in millions of Euro	31 March 2016									
AGGREGATE / CONSOLIDATED	**Revenue**	**Operating costs**	**Gains (losses) from investments**	**EBITDA**	**Amortization/ depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) from financial management**	**Taxes**	**Profit (loss) pertaining to non-controlling interests**	**Profit (loss) pertaining to the Group**
Investments and PE Sector	1,1	(8,1)	1,1	(5,8)	(0,4)	(0,6)	0,3	0,8	(0,3)	(5,4)
Real Estate Sector	2,6	(3,0)	0,0	(0,5)	(0,2)	0,0	(1,7)	0,1	(0,2)	(2,0)
Advisory Sector	1,0	(1,7)	0,0	(0,7)	(0,0)	0,0	(0,0)	0,1	0,0	(0,7)
IC ELIMINATION	(0,3)	0,3	0,0	0,0	0,0	0,0	(0,0)			
CONSOLIDATED TOTAL	**4,4**	**(12,5)**	**1,1**	**(7,0)**	**(0,6)**	**(0,6)**	**(1,4)**	**1,1**	**(0,4)**	**(8,2)**

STRUCTURE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

31 March 2017

Figures in millions of Euro	31 March 2017									
AGGREGATE / CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**Invested capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to the Group**
Investments and PE Sector	(7,2)	171,1	(1,5)	6,7	169,1		30,5	199,6		183,4
Healthcare Sector	(1,3)	42,4	(1,1)	0,0	40,0		(22,1)	17,9		13,4
Real Estate Sector	92,8	16,8	0,6	0,0	110,2		(72,2)	38,1		36,1
Advisory Sector	0,5	0,0	0,4	0,0	0,9		1,3	2,2		2,1
ELIMINAZIONE IC	(0,0)	0,0	0,0	0,0	(0,0)		0,0			
CONSOLIDATED TOTAL	**84,8**	**230,4**	**(1,6)**	**6,7**	**320,3**		**62,5**	**257,7**		**235,0**

30 September 2016

Figures in millions of Euro	30 September 2016									
AGGREGATE / CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**Invested capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to the Group**
Investments and PE Sector	(0,3)	212,0	(0,6)	0,0	211,1		20,4	231,6		213,4
Real Estate Sector	97,7	17,7	(0,2)	0,0	115,2		(76,4)	38,8		37,3
Advisory Sector	0,7	0,1	0,1	0,0	0,8		1,5	2,3		2,3
IC ELIMINATION	0,0	0,0	0,0	0,0	0,0		0,0			
CONSOLIDATED TOTAL	**98,1**	**229,9**	**(0,8)**	**0,0**	**327,2**		**(54,5)**	**272,8**		**253,0**

As regards the breakdown of the Income Statement by sector, intragroup revenue and costs are re-allocated to the respective sectors in such a way as to measure the generation of the margin relating to each sector as if this was completely autonomous.
As regards the breakdown of the statement of financial position by sector, the receivables and payables of each sector include the existing positions with the other sectors, as if each sub-group was autonomous.

Performance of the Private Equity and Investments sector

Figures in EUR/000		
Investments and PE Sector	**March 2017**	**September 2016**
Fixed assets	171.098	212.163
Equity	199.605	231.611
Net financial position	30.503	20.373

The Private Equity and Investments sector as at 31 March 2017 includes the parent company Mittel S.p.A. as well as the residual portfolio of non-controlling interests and investment vehicles (liabilities) for which, in a manner compatible with the features of each asset, a disposal procedure is beginning with a view to independently generating resources to be used for controlling investments to be made in Italian small and medium-sized enterprises. In the situation as at 31 March 2017, as well as in the comparative figures, the Private Equity and Investments sector includes the group headed by Fashion District Group S.r.l. in liquidation, previously in charge of the Outlet & Entertainment sector now disbanded. In this respect, note that after 31 March 2017, and specifically on 18 May 2017, the escrow of EUR 5,0 million set up as guarantee at the time of the sale of outlets previously owned by the Group (November 2014) was released in full.

At equity level, the sector's performance in the first six months (a decrease of EUR 32,0 million) was characterised mainly by two events: (i) the EUR 18,4 million decrease in the value of Bios S.p.A. and Tower 6 bis S.a.r.l. (net of the dividend distributed by the latter), relating to the reduction in the period under review of the listed price of Livanova Plc shares (around $49 per share vs. $60 in September 2016); (ii) the equity investment for EUR 13,5 million in Gruppo Zaffiro S.r.l., with setup of the healthcare sector, which led to a decrease in cash and cash equivalents and a resulting decrease in equity of the Private Equity and Investments sector as represented in the sector figures indicated in the above tables.
As regards the first effect, note that as at the reporting date, also following publication of the results as at 31 December 2016 which saw revenue of $1,2 billion, essentially in line with the previous year, as well as the interesting acquisition of the remaining 51% of Caisson Interventional LLC (mitral valve replacement) announced in May 2017, the share recovered part of the accrued losses to return to values close to the market price of September 2016.
The decrease in fixed assets as at 31 March 2017 to EUR 171,1 million (EUR 212,2 million as at 30 September 2016) is therefore the direct effect of the above, combined with the drop in non-current financial receivables following the collection during the half-year of EUR 10,2 million from Liberata S.r.l. (vendor loan position) and the reclassification among assets held for sale of the investment in Castello SGR S.p.A., the disposal of which was finalised in April 2017 for EUR 6,7 million.

As a result of the Group's streamlining of equity investments and the sale transactions described above, in economic terms the sector recorded a positive result of EUR 0,9 million (Group and non-controlling interests) compared to a loss of EUR 5,7 million in the same period last year. This result derives from the positive contribution of:

i. revenue for EUR 0,7 million (from EUR 1,1 million);
ii. income from investments and financial assets for EUR 4,2 million (from EUR 1,1 million), which mainly include the combined effect of deconsolidation of Castello SGR S.p.A. (EUR 3,5 million) and disposal of the residual interest in Credit Access Asia N.V. (EUR 0,6 million);
iii. share of income (loss) of equity-accounted investments, amounting to a positive EUR 0,1 million (from a negative EUR 0,6 million);
iv. financial management positive for EUR 0,2 million (from EUR 0,3 million);
v. taxes for EUR 0,5 million (from EUR 0,8 million);

against which, the negative contributions are mainly:

i. operating costs for EUR 4,3 million (from EUR 8,1 million);
ii. amortization/depreciation and write-downs for EUR 0,6 million (from EUR 0,4 million).

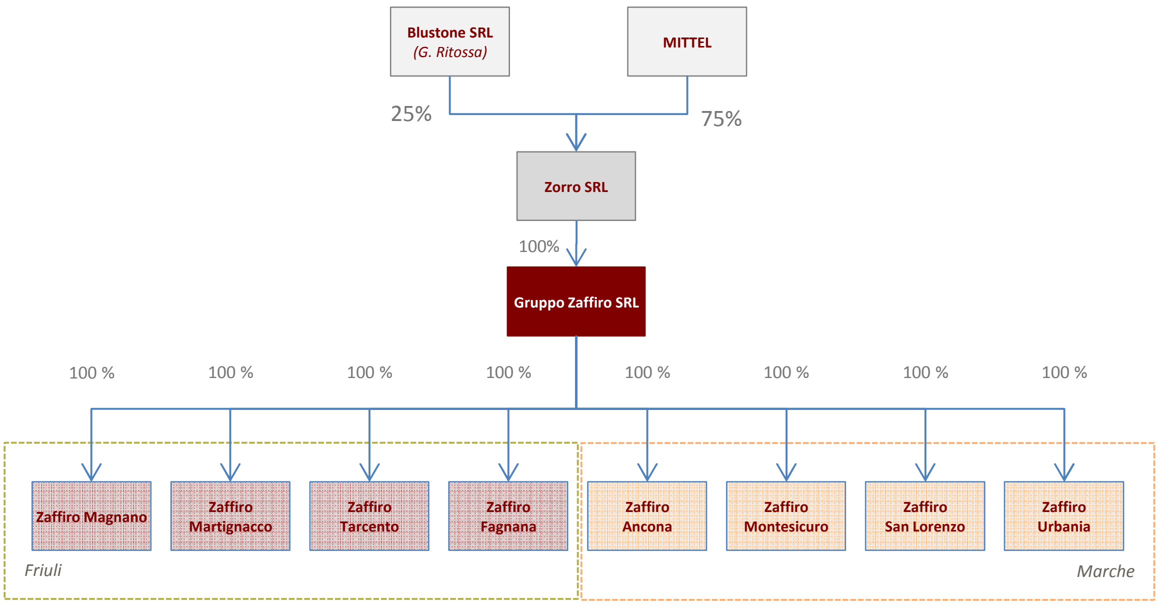
The rationalisation undertaken in the previous year (corporate mergers, internal reorganisation with removal of the role of General Manager and other roles within the Group), still in progress, led to a decrease in operating costs in the half-year in all components (costs for services, personnel costs and other costs) for a total of EUR 3,8 million (from EUR 8,1 million to EUR 4,3 million).

Performance of the Healthcare sector

THE ACQUISITION TRANSACTION

On 9 November 2016, an acquisition was completed by Mittel with a total investment of around EUR 21,5 million (including a loan for EUR 8,0 million) for 75% of the capital of Gruppo Zaffiro S.r.l., operating in the Italian healthcare industry. The transaction forms part of a much broader project undertaken by Mittel in the healthcare industry, as Gruppo Zaffiro S.r.l. represents a solid base on which a combination process with other local operators in the same sector can be created, with the aim over the next few years of becoming a reference point in Italy. The healthcare sector, in fact, shows clear structural growth trends, associated with demographic and social factors, and a service structure that is still highly fragmented and with significant room for combinations.
Gruppo Zaffiro S.r.l. operates in two Italian regions (Friuli Venezia Giulia and Marche) and has 8 structures providing around 900 beds.

Zaffiro Group as at the acquisition date (9 November 2016)



Consistent with the investment logic and build-up of the investees, in April 2017 Gruppo Zaffiro S.r.l. arranged the acquisition, through a property lease, of a new initiative in Friuli Venezia Giulia (Rivignano), the finalisation of which in the next few months will increase the Group's beds to over 1.000.

PERFORMANCE IN THE PERIOD [5 months]

Figures in EUR/000

Healthcare Sector (5 months)	31 March 2017	*of which* Zorro S.rl.	adjustments	Gruppo Zaffiro S.r.l.	%
Revenue	10.363	-	-	10.363	
Operating costs	(9.593)	(536)	(156)	(8.901)	
Gross operating margin	**771**	**(536)**	**(156)**	**1.463**	*14,1%*
Net result (Group + non-controlling interests)	**(165)**	**(515)**	**(154)**	**504**	*4,9%*

Moving on to discuss the company's performance, in the first 5 months (as is customary, the period used as reference in the current position was 1 November 2016-31 March 2017), the revenue generated by the 8 operating structures managed by Gruppo Zaffiro S.r.l. amounted to EUR 10,4 million, with EBITDA of EUR 1,5 million and net profit for the period of EUR 0,5 million. At consolidated level, considering the entire sector known as "Healthcare", the result for the period was a loss (EUR 0,2 million), mainly as a result of costs incurred for the acquisition (relating to Zorro S.r.l. for around EUR 0,5 million).

At equity level, the sector shows a net financial position of EUR 22,1 million, represented for EUR 1,6 million by the financial position of Gruppo Zaffiro S.r.l., added to which are (i) EUR 8,0 million for the loan disbursed by Mittel S.p.A. to Zorro S.r.l. and (ii) the allocation of a total of EUR 12,4 million, representing the best estimate as at the reporting date of the price adjustment (payable this year) and the potential earn-out to be paid in 2019 on the basis of future results achieved by the 8 structures of Gruppo Zaffiro S.r.l. in operation as at the acquisition date.

Performance of the Real Estate sector

Figures in EUR/000

Real Estate Sector	March 2017	%	March 2016
Revenue	*1.780*		*2.556*
Sales and other revenue	*7.961*	371%	*1.690*
Variations in property inventories	(6.181)		865
Gross Operating Margin	(186)		(486)
Net profit (Group + non-controlling interests)	(1.674)		(2.193)

In relation to the Real Estate sector, intended as the business of developing initiatives in the residential and services sectors with subsequent retail on the market, the Group is now arranging disposal of the existing portfolio, limiting investments to the initiatives already held.

In the first half of 2016/2017, also exploiting the good housing market performance which, after the long and steep decline seen in 2007, seems to again be on a growth path, the sector generated sales for EUR 8,0 million (EUR 1,7 million in the same period last year), broken down among the initiatives in portfolio as follows:
(i) Lucianita S.r.l., EUR 2,4 million relating to the property at Via Lomellina 12, Milan, an initiative that has now essentially terminated; (ii) Santarosa S.r.l., EUR 2,3 million relating to the property at Piazzale Santorre di Santarosa, Milan, the sale of which began in June 2016; (iii) Mittel Investimenti Immobiliari, EUR 1,5 million relating to the residential complex in the Municipality of Arluno (MI) and (iv) Iniziative Nord Milano S.r.l., EUR 1,5 million in relation to the residential complex in the Municipality of Bresso.
The negative result of the sector at Net Profit (Loss) level was affected by adjustments to the residual portfolio of the real estate funds Augusto and Cosimo I (EUR 0,7 million).

The invested capital of the Group in the Real Estate sector as at 31 March 2017 amounted to EUR 110,2 million (EUR 115,2 million as at 30 September 2016), with property inventories decreasing strongly due to disposals during the half-year to stand at EUR 93,4 million (EUR 99,6 million as at 30 September 2016) and fixed assets, essentially referring to the shares held in the closed-end real estate funds Augusto and Cosimo I, down to EUR 16,8 million from EUR 17,7 million due to the effect of a decrease in NAV mainly as a result of the disposals completed in the first part of 2017.

Performance of the Advisory Services and Grants Finance sector

Figures in EUR/000

Advisory Sector	March 2017	%	March 2016	%
Advisory and M&A	945	*61%*	307	*32%*
Debt&Grant advisory	594	*39%*	659	*38%*
NET REVENUE	**1.539**		**965**	

Revenue of the Advisory Services and Grants Finance Sector include the operating results of the wholly-owned subsidiaries Mittel Advisory Debt and Grant S.p.A. and Mittel Advisory S.p.A., as well as Ethica & Mittel Advisory S.r.l., a 51% investee of the Group. As previously described, in order to relaunch business in the Debt&Grant Advisory segment, Ethica & Mittel Debt Advisory S.r.l. was established in October 2016, 51% owned by the Mittel Group and in which Mittel’s Chief Executive Officer is Chairman.

In the first half of 2016/2017, the sector generated revenue for EUR 1,5 million (EUR 1,0 million as at 31 March 2016), with a negative contribution to Group EBITDA of EUR 0,2 million and to the Group result for EUR 0,3 million, mainly as a result of non-recurring components due to the restructuring of activities carried out (EUR 0,3 million).

In equity terms, there are no changes in the sector with invested capital of EUR 0,9 million (EUR 0,8 million as at 30 September 2016).

Significant events in the first half of the year

Governance

On 18 November 2016 the Mittel S.p.A. Shareholders' Meeting was held on single call, unanimously resolving to change the closing date of the company year from 30 September to 31 December each year with effect from the year in progress as at the date of the Meeting, which will consequently last from 1 October 2016 to 31 December 2017. In accordance with law, the approved amendments do not offer any right of withdrawal.

On 27 January 2017, the resolutions of the ordinary Shareholders' Meeting of Mittel S.p.A. included, amongst others:

- to approve the Directors’ Report on Operations and the Financial Statements for the year ended 30 September 2016 and the proposal for the coverage of the loss for the year of EUR 30.770.032 from available reserves;
- to establish the number of members of the Board of Directors at 7;
- to call upon the following to form the Board of Directors, which shall remain in office for three financial years, i.e. until the date of the Shareholders’ Meeting called to approve the financial statements for the year ending 31 December 2019: Rosario Bifulco, Marco Giovanni Colacicco, Michele Iori, Anna Cremascoli, Anna Maria Tarantola, Anna Gervasoni (nominated by the shareholder Seconda Navigazione S.r.l.); Giovanni Raimondi (nominated by the shareholder Istituto Atesino di Sviluppo - ISA S.p.A.)

The Shareholders' Meeting also resolved in favour of the first section of the Report on Remuneration, prepared in accordance with art. 123-ter, Italian Legislative Decree no. 58 of 24 February 1998.

The Board of Directors of Mittel S.p.A., which met at the end of the above Shareholders' Meeting, appointed Rosario Bifulco as Chairman and Chief Executive Officer and Marco Giovanni Colacicco and Michele Iori as Deputy Chairmen. The same Board meeting also appointed the members of the Board's internal committees.

Implementation of measures defined in the 2016-2019 Strategic Plan

On 28 October 2016, through the integration of their respective Debt Advisory businesses, the Mittel Group and Ethica Corporate Finance S.p.A. established the newco Ethica & Mittel Debt Advisory S.r.l., 51% indirectly owned by Mittel S.p.A. and 49% by Ethica Corporate Finance S.p.A. Ethica & Mittel Debt Advisory S.r.l. is the first Italian integrated platform for all debt advisory services. In fact, the new company will support medium and large companies and private equity funds in structuring projects, organisation projects and bank, alternative, subsidised and structured funding projects, as well as the remodelling of existing bank borrowings. With a team of 10 professionals, the new company already manages a portfolio of a discrete number of assignments from corporate enterprises and private equity funds. Rosario Bifulco, CEO of Mittel S.p.A., is the Chairman of the Board of Directors and the Executive Director is Cosimo Vitola, CEO of Ethica Corporate Finance S.p.A.

On 9 November 2016, in accordance with the Guidelines of the 2016-2019 Strategic Plan, disclosed to the market on 30 March 2016 and envisaging a focus on investing activities with a view to permanent capital, Mittel S.p.A. purchased 75% of the Zaffiro Group, a major player in the Italian healthcare industry. Dr. Gabriele Ritossa, one of Zaffiro's founders, in addition to remaining a shareholder in the initiative with an investment of 25% in the share capital, has assumed the office of Chief Executive Officer.
This transaction formed part of a much broader Mittel S.p.A. project in this sector, in which the Zaffiro Group investment is consistent with and complementary to other opportunities being studied. Zaffiro represents a solid base on which, in agreement with Gabriele Ritossa, a combination process with other local healthcare operators can be created, with the aim over the next few years of becoming a reference point for the sector.
The group currently has eight properties - four in Friuli-Venezia-Giulia and four in Marche - totalling around 900 beds. The structures are characterised by a high degree of internalisation and high quality of the services offered.
Mittel S.p.A.'s interest in the project is based on the dynamics of the reference sector, which shows clear structural growth trends, associated with demographic and social factors, and a service structure that is still highly fragmented and with significant room for aggregation. The Zaffiro Group offers sound competitive positioning and major geographic coverage of the Friuli Venezia Giulia and Marche regions. The transaction also calls for significant reinvestment and for maintaining the management role played by the current operating partner of the Group, who has amassed considerable experience and expertise in the sector and has outstanding entrepreneurial skills.
Mittel S.p.A.'s total investment is around EUR 21,5 million, including a bridge loan of EUR 8,0 million granted for the transaction.

On 30 November 2016, following Liberata S.r.l.'s request to postpone the maturity date and reduce the interest rate on the outstanding Vendor Loan, due on 30 November 2016, the Board of Directors of Mittel S.p.A. extended the final deadline to 31 December 2018 and reduced the spread from 5% to 4,75%.
Mittel S.p.A.'s interest in carrying out the transaction was assessed in the light of the contingent situation of Mittel Generale Investimenti S.r.l., the only asset in the Liberata S.r.l. portfolio, following its cancellation from the general and special lists of Financial Intermediaries pursuant to articles 106 and 107 of Italian Legislative Decree 385/1993, arranged by the Bank of Italy in acceptance of the related application submitted by Mittel Generale Investimenti S.r.l., based on strategic assessments performed by its administrative body on receiving confirmation that there were no real prospects for relaunching its business activities.
Cancellation from the list led to the winding-up of the core business previously carried out by Mittel Generale Investimenti, which is now limited to managing the assets that make up its loan portfolio.
Mittel S.p.A. consequently decided it was in its interest to allow rescheduling of the Vendor Loan repayment, also with a view to maximising the valuation of the total investment held in Liberata S.r.l., which includes 27% of Liberata share capital.
In relation to the additional request from Liberata S.r.l. to reduce the interest rate applied to date, in view of the non-deferral of the Vendor Loan to the bank loan, the interest rate spread on which constituted a form of consideration, Mittel S.p.A. reduced the spread applied by 25 bps.
As a result of the agreed transaction, Mittel Generale Investimenti S.r.l. has an adequate time horizon to identify the most suitable action, of an ordinary or extraordinary nature, to maximise its assets.

The transaction qualifies as a related party transaction in accordance with the Procedures as the counterparty is an associate of Mittel S.p.A. in which Mittel has a 27% interest. In addition (i) the ownership structure of Liberata S.r.l. includes other related parties or in any event significant shareholders, such as Fondazione Cassa di Risparmio di Trento e Rovereto, which has a 10,9% interest in the share capital, and Istituto Atesino di Sviluppo S.p.A. with 8,8%, and (ii) a key manager of Mittel S.p.A. is a member of the company's administrative body and holds the office of Chief Executive Officer.
The transaction was therefore agreed as subordinated to obtaining the binding opinion of the Related Party Transactions Committee, since this is a transaction of greater importance pursuant to art. 3.1, paragraph a) of the Related Party Procedures which, amongst other things, required the Company's preparation of an information document, in accordance with art. 5 of the Consob Regulation adopted by resolution no. 17221 of 12 March 2010, as amended by resolution no. 17389 of 23 June 2010, published on 6 December 2016.
Then in May 2017, as part of the investee streamlining process, the Shareholders' Meetings of Liberata S.r.l. and Mittel Generale Investimenti S.r.l. resolved to approve their merger plan.

Consistent with the Strategic Plan Guidelines, in December 2016 Mittel S.p.A. continued to dispose of non-core assets in the portfolio in order to generate new funding for investments.
In fact, agreements were signed for a total of EUR 7,7 million. Specifically:

- a binding agreement was signed for disposal of the 21,81% interest in the share capital of Castello SGR S.p.A. for a total of EUR 6,7 million;
- the disposal of the investment in Credit Access Asia N.V. was finalised, with the sale of the residual interest held for EUR 1,0 million.

Main ongoing legal proceedings and disputes

There are no new developments in ongoing legal proceedings to note with respect to that illustrated in the section "Main ongoing legal proceedings and disputes" of the Directors' Report on Operations in the draft financial statements as at 30 September 2016, to which reference is made, except for the following updates:

<u>SNIA S.p.A. in Amministrazione Straordinaria (under extraordinary administration)</u>
Decision no. 1795/2016 filed on 10 February 2016 (by which the Court of Milan rejected all claims brought by Snia against Mittel, declared the action by the Ministries against Mittel to be inadmissible, ordering Snia and the Ministries to pay EUR 300.000, plus 15% in general lump-sum expenses, to Mittel as reimbursement of legal costs) was challenged by Snia, the Ministry of the Environment and Protection of Land and Sea and the Ministry of Economy and Finance.
Pending the appeal proceedings, Mittel and Snia reached a settlement agreement as a result of which: (i) Snia abandoned the appeal proceedings and all claims against Mittel in relation to the events concerned in the proceedings and consequently all claims brought against Mittel in first and second level proceedings, with Mittel accepting this abandonment of legal action; (ii) Mittel paid a contribution to Snia in regard to Snia's abandonment of the appeal; (iii) the parties declared that neither has further claim against the other as a result of the aforementioned settlement transaction and in relation to the proceedings mentioned.
The proceedings continue, therefore, solely versus the Ministries and the next hearing is set for 16 June 2017.

<u>Interbanca S.p.A. (formerly GE Capital S.p.A.) and Tellus S.r.l.</u>
By decision published on 8 November 2016, the Court of Brescia accepted Mittel's arguments, rejecting the claims of Interbanca S.p.A. and Tellus S.r.l.
On 8 May 2017, Interbanca S.p.A. and Tellus S.r.l. filed an appeal against this decision. Mittel S.p.A. will duly appear in the second level proceedings and reiterate its defence arguments.

Main risks and uncertainties to which Mittel S.p.A. and the investees are exposed

The main risks and uncertainties that can have a significant impact on the activities of the Mittel Group are outlined below. Additional risks and uncertain events, that are unforeseeable at present or that are deemed unlikely at the moment, could likewise impact the Mittel Group's activities, economic and financial conditions and prospects.

Risks associated with the current economic scenario and performance in the Group's operating sectors

The Mittel Group's results are affected by economic trends at global level and in its business sectors. The crisis that hit the banking system and financial markets, as well as the deterioration of macroeconomic conditions, had the effect of squeezing credit access conditions, a low level of liquidity in the financial markets and extreme volatility of share and bond prices. This situation consequently had a negative impact on the Mittel Group's operating sectors.

Specifically, a persisting state of tension at national and international level in the financial markets and in the Private Equity and Investments sector could affect the type, timing and profitability of the investments made (or planned) by the Mittel Group as well as the advisory services provided by the Group.
The ongoing weakness of the global economies and especially of the business sector in which the Group mainly operates, could adversely impact the activities carried out by the Group. In particular, the liquidity crisis in the markets and the general and widespread slowdown in industrial development could lead to a deterioration in the Group's assets across the board, and/or lack of adequate financial support, or the need to dispose of those assets at less than optimum values. With specific reference to investments in corporate holdings (including listed) - by nature characterised by a high level of risk, especially in the current period of volatility in the financial markets - the process of disinvestment could require longer than expected times and/or be carried out using methods that are not entirely satisfactory or under conditions that do not generate a return for the Group.

As regards the healthcare sector, in which the Mittel Group invested during the half-year, there is a more limited cyclic impact in the social and healthcare services sector and consequently less theoretic exposure to the risk of negative developments attributable to a persistently weak situation in the global economy and the Group's geographic area of reference. The demand for social and healthcare services and related public and private expendure, in fact, show historical growth trends and potential growth prospects even in a situation, as now, of general economic crisis. However, it cannot be excluded that a continuation of the current weak macroeconomic scenario will have a negative impact on public and private spending and, consequently, on demand for the services offered by the Group in this sector.

In the Real Estate sector, the risks arising from the markets crisis concern the decline in demand, falling prices and the lengthening of sale and lease times, as well as damaging consequences from the crisis status of many building industry operators used by the Group as part of its real estate development activities.
The property market, at national and international levels, has a cyclic trend and is subject to a series of macroeconomic variables, such as the demand-supply ratio, and is linked - amongst other things - to the general state of the economy, to changes in interest rates, inflation trends, tax regimes, available liquidity on the market and the presence of alternative and more remunerative investments. Therefore it cannot be excluded that a continuation or deterioration of the current economic crisis and real estate market crisis could call for eventual write-down of the real estate portfolio.

Risks associated with implementation of the strategy of the Group and its repositioning

In March 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, the guidelines for which mainly aim to (i) implement a streamlining process of the Mittel Group corporate structure; (ii) dispose of non-strategic assets (listed securities, real estate business and lending); (iii) develop investment activities with a view to permanent capital; and (v) make investments in asset management. Based on this strategy, Mittel S.p.A. aims to pursue a type of business that focuses on controlling investments in Italian small and medium enterprises characterised by high cash generation.
Among the risk profiles presented in the actions contemplated in the above strategy, note that this depends on events and circumstances, also in the future, that are difficult to predict, e.g. global economic conditions,

the impact of competition or developments of an economic and political nature. Therefore Mittel cannot with any degree of certainty confirm that the strategic goals will be actually and completely achieved within the expected timeframe.
Any failure to dispose of significant parts of the real estate assets could make it more difficult to access to new funding for future investments.
If said actions to transform the Group's operating model are not fully completed, so hindering the Group's competitive repositioning, it could have negative, even significant, impacts on the economic, equity and/or financial positions of the Group.
Lastly, considering the Company's holding of investments, its economic performance is linked, inter alia, to circumstances that are not periodic and/or recurring in nature, such as the distribution of dividends by investees and the formation and realisation of capital gains on divestments of investments held. Thus, the performance of Mittel S.p.A.'s results in different years may not be linear and/or significantly comparable. Note also that the investees of Mittel S.p.A. could decide not to distribute dividends even if profit for the year is recorded.

Risks connected with failure to satisfy covenants and commitments envisaged in the loan agreements

Contractual clauses, commitments and covenants can be applied to a number of funding sources of the Group. Failure to comply with these may be considered a non-fulfilment of the contract, resulting in lenders requesting their immediate collection and causing problems in obtaining alternative financial resources. The contractual characteristics of the Group's exposure to banks as at the date of this report envisage covenants for one credit facility only (therefore classifiable as current as the final payment is due by 31 December 2017). Failure to comply with the covenants could trigger the acceleration clause. This was a loan disbursed by the Banco BPM Group, originally for EUR 8 million, the repayment plan for which contemplates the payment of two residual instalments (each for EUR 2 million), the last of which is due by 31 December 2017. This loan makes provision for a covenant (Net Debt/Equity ≤1) to be verified on an annual basis. The covenant for the loan agreement in question was satisfied as at all dates envisaged up to the date of this report.

Risks connected with the fixed-rate bonds "Mittel S.p.A. 2013-2019" issued in July 2013

Pursuant to the Regulations for the 2013-2019 Bonds, Mittel S.p.A. is required to respect the following for the entire duration of the loan: (i) limits to dividend distribution and income-related reserves, (ii) a financial covenant calculated as the ratio of financial debt to equity in the separate financial statements, (iii) a negative pledge on future bond issues by Mittel S.p.A. or by significant subsidiaries within the limits and save for the exceptions set out in the Regulations. In the event of breach that is not remedied, of said obligations set out in loan regulations, Mittel S.p.A. could be held to the mandatory early redemption of the Loan, which in turn, could result in the obligation of early repayment, or application of the acceleration clause, termination of or withdrawal from the other loans contracted. As at 30 September 2016 the covenant on the loan had been satisfied.
Furthermore, for the entire duration of the loan, Mittel S.p.A. has undertaken not to distribute dividends or income related reserves exceeding 5% of equity resulting from the financial statements of Mittel approved during each year of the duration of the loan (the Cap). In the event of voluntary early reimbursement, the Cap applicable to the year under way at the date of the redemption will be increased by the same percentage of the nominal value of the Bonds redeemed, i.e., by 25% or 50%, depending on the case.

Risks related to interest rate fluctuations

The Mittel Group uses various forms of financing to support its investments.
Therefore, significant changes in interest rates could potentially involve major increases/decreases in the cost of financing. In the 2012-2013 financial year, in order to mitigate the risks referred to above, the Group obtained a fixed-rate loan represented by the "Mittel S.p.A. 2013-2019" bond issue, maturing July 2019.
As at 31 March 2017, the Group's entire bank loans and borrowings, amounting to EUR 73,7 million, are at a variable rate (based on the Euribor) (EUR 77,9 million as at 30 September 2016). These bank borrowings were not hedged.
As at 31 March 2017, the Group had a bond issue in place maturing in July 2019 for around EUR 99,5 million at a fixed rate (6%) (EUR 99,2 million as at 30 September 2016).

Liquidity risk

The Group has access to short-term credit lines granted by numerous leading banks and in July 2013 issued the Mittel S.p.A. 2013 - 2019 bonds listed on the MOT market, organised and managed by Borsa Italiana S.p.A. Nonetheless, obtaining financial resources outside the Group represents a factor of criticality for maintaining the Group's investment growth strategy.
Consequently, any worsening in the economic terms and conditions of new loans and any future reduction in the banking system's credit capacity could have negative effects on the Group's economic and financial situation and/or limit its growth capacity.
The Group's ability to cover payments depends on its capacity to generate sufficient liquidity, also through disposals and/or divestments, and/or to refinance its debt. This capacity depends to a certain extent on the economic, financial and market situations, laws and regulations applicable at each time, competition with other operators and other factors, many of which are outside of the Mittel Group's control.
Therefore, also in consideration of the potential misalignment between the duration of the Group's invested assets, mainly medium and long term, and the related sources of funding, the risk that the Group may find it difficult to meet its payment commitments at the set due dates due to the difficulties in liquidating assets without penalties on the market (asset liquidity risk) or raising funds (funding liquidity risk) cannot be ruled out. This would have a subsequent adverse impact on the economic result in the event in which the Group is forced to incur additional costs to meet its commitments.

Credit risk

Financial transactions realised by the Group expose it to credit risk, understood as the possibility that an unexpected change in the counterpart's creditworthiness could impact the credit position, resulting in insolvency (default risk) or in terms of the market value of the position (spread risk).
The Mittel Group is exposed to potential losses resulting from the non-fulfilment of the obligations assumed by the counterparties (both financial and commercial transactions), with specific reference to the following phenomena:

- in relation to investment activities, maintenance of heavy involvement in the entrepreneurial risk of the investments disposed of, also in relation to the presence of the vendor loan for a significant amount;
- concentration of credit on certain significant counterparties;
- increase in the average collection times of trade receivables, with a subsequent worsening in the financial position with respect to the forecasts.

As at 30 September 2016 the receivables portfolio is largely composed of receivables relating to the deferred components of payment of the consideration for the transfer of investments, mainly explained by the vendor loan granted by Mittel S.p.A. to Liberata S.r.l., the credit position of Ghea S.r.l. on a receivable due from Bios S.p.A. and by credit positions acquired following the merger of Hopa S.p.A.

Risks connected with the market value of property inventories

In the last few years, the Italian real estate has continued to register a fall in investments in both residential and non-residential construction, with a parallel reduction in property sales due primarily to economic uncertainty, poor job market prospects, the decrease in disposable income, and the worsening of tax charges on all types of properties.
The Group recognises its property inventories at cost, net of any write-downs determined by the net realisable value; in support of these values, when drafting the consolidated financial statements for the year ended 30 September 2016, the Group asked third-party professionals with the necessary skills and qualifications for an appraisal of the main property assets at market values based on the measurement criteria normally used in practice. The Group impaired the properties in its portfolio in the cases in which the appraisals of the main property assets showed their net realisable values to be lower than their book values in the consolidated financial statements (EUR 7,2 million as at 30 September 2016 compared to EUR 5,9 million as at 30 September 2015).
The Mittel Group strategy calls for the gradual disposal of non-core property assets. Though in the Group's opinion the appraisals take into consideration all factors significant to assessing the fairness of the book value of property inventories, the assessment of additional non-recurring elements not known as at the

appraisal dates, compared to those used, could result in the determination of different values. As at 31 March 2017 the value of Mittel Group property inventories was EUR 93,4 million.
In addition, despite Mittel S.p.A. arranging the write-down of property assets where appraisals for the main property assets indicated net realisable values lower than their book values, it cannot be excluded that any worsening in the reference market may involve the future need for further potential value adjustments, with the subsequent negative effects on the Group's statement of financial position and income statement.
As at the date of this report, note that no covenants were directly associated with changes in the value of property assets or with the economic or equity results of companies operating in the Real Estate sector.

Risks related to ongoing disputes

In the normal course of its business, the Group is a party in numerous civil (also concerning employment law), tax and administrative proceedings, as well as an arbitration procedure, whose progress is periodically monitored by the corporate bodies of the parent company.
In its consolidated financial statements as at 31 March 2017, the Group allocated a specific provision for risks and charges totalling EUR 1,7 million (EUR 1,8 million as at 30 September 2016), to cover, inter alia, the liabilities that could result from the legal proceedings and other pending disputes.
The total amount of this provision for risks and charges and the amount of annual allocations to the provision are determined based on the probability that the proceedings will have a negative outcome for the Group. Certain proceedings which the Group is a party to and which are predicted to have a possible, remote or unquantifiable negative outcome are not included in the provision for legal risks and charges, as envisaged by IAS 37. Therefore, it is not possible to rule out the possibility that in the future the Group may be required to fulfil payment obligations that are not covered by the provision for risks and charges, or that the allocations made to the provision for risks and charges may be insufficient to cover liabilities deriving from an outcome more negative than expected.
Moreover, in general, irrespective of the legitimate grounds of the claims made, any initiation of legal or arbitration proceedings against Mittel and/or other Group companies, including any disputes concerning the Group's past operations as a shareholder of transferred companies, could result in possibly significant damage to the Group's image and reputation in its sector, with possible negative effects on the business and economic, equity and financial situations of Mittel and the Group.

Risks associated with dependance on key management figures

The Group's success depends heavily on a limited number of key management figures who provide and could continue to provide a significant contribution to the Group's business development. The Company has adopted a remuneration policy set up in order to ensure a remuneration structure capable of recognising the value and contributions of its directors. In November 2015, at the time of appointment of the Chief Executive Officer he received a number of Mittel S.p.A. treasury shares and currently holds 7,044% of Mittel S.p.A. share capital. Then in March 2016 a medium/long-term incentive system was approved in favour of the Chief Executive Officer, key managers and other key figures which envisages the assignment of Stock Appreciation Rights.
Though the measures implemented aim to strengthen the involvement and retention of these officers, any loss of key figures or an inability to attract and retain additional qualified personnel could result in decreased competitive capacity of the Group and jeopardise the forecast growth targets.

Risks related to dividend policy

As at the reporting date, the Company had not adopted a dividend distribution policy.
The Regulations of the 2013-2019 Bonds issued in July 2013 requires that, for the entire duration of the bond loan, the Company will not distribute dividends or income-related reserves exceeding 5% of equity resulting from the Company's separate financial statements approved during each year of the duration of the loan. This limit will be increased on the basis of the Company's exercise of any voluntary early redemption of the Bonds in accordance with provisions of the loan regulations.
In the three-year period 2014-2016 the Company did not distribute dividends or reserves. Any future dividend distributions and their totals, in any event within the above limits, will also depend on future profit of the Company which, in particular, will be associated with dividends distributed by the investees and with capital gains achieved from the investment disposal transactions, circumstances which are naturally not periodic and/or recurring.

Risks associated with laws and regulations applying to the Group

The activities of the Mittel Group are subject to Italian and EU regulations and legislation, including tax regulations.
It cannot be excluded that future changes to existing regulations and legislation, including at interpretative level, may generate an increase in costs, expenses or levels of Group responsibility or adversely impact the Group's activities, with potential prejudicial effects on the activities and/or economic, equity and/or financial situation of the Group itself.

Risks associated with recent extraordinary transactions

On 9 November 2016, in accordance with the strategic objective of focusing on investing activities with a view to permanent capital, Mittel purchased 75% of Gruppo Zaffiro S.r.l., operating in the Italian healthcare industry.
The transaction forms part of a much broader project of combinations with other local operators in the same sector, with the aim of the Zaffiro Group becoming a reference point in Italian healthcare in the next few years.
The Zaffiro Group operates in the healthcare sector by offering long-term care services to elderly patients who are no longer self-sufficient or have serious illnesses. The transaction also envisaged a reinvestment equal to 25% of the company's share capital and retaining the Group's operating partner, Gabriele Ritossa, in the role of Chief Executive Officer.
Mittel's total investment was around EUR 21,5 million, including a loan disbursed for the transaction of EUR 8,0 million. The Zaffiro Group purchase led to the initial recognition of goodwill for EUR 40,4 million, resulting from the business combination relating to the acquisition of control and subsequent consolidation of the group companies. For the purpose of the condensed half-yearly consolidated financial statements as at 31 March 2017, the initial recognition of the business combination was calculated provisionally as, at present, the final fair values to be assigned to the assets, liabilities or potential liabilities of the business combination cannot yet be calculated.
Mittel S.p.A. expects that the provisional values will be adjusted after initial recognition of the business combination has been completed, based on the related reference fair values, within twelve months of the acquisition date. Therefore no impairment testing was performed on the goodwill, which will be finalised by the end of this year after final recognition of the business combination.
The reference book values of the Zaffiro Group business combination correspond with net assets as at 31 October 2016, as the values as at finalisation of the transaction (9 November 2016) cannot be calculated, also taking into consideration the immaterial nature of the 9-day period between the date of the reference book values and the date of effective acquisition of control.
In the context of acquistion of the Zaffiro Group, the seller issued declarations and guarantees to the buyer as are normally expected in this type of transaction. However, it cannot be excluded that the acquisition will result in exposure to risks relating to the previous management of the group acquired, given the presence of a legal-contractual risk to which the Mittel Group would be exposed if the guarantees should need to be enforced, in addition to a possible credit risk connected with the effective ability to collect the amounts covered by the guarantee if the risks in question should arise.
Furthermore, an acquisition generally involves the assumption not only of the assets of a company, but also the related liabilities. Though the Mittel Group carries out due diligence before completing an acquisition and seeks suitable declarations and guarantees, as well as indemnity obligations from the seller, there is no certainty that the Mittel Group can identify and obtain adequate protection with respect to all the current and potential liabilities relating to a given business.
The acceptance of unexpected liabilities for which no suitable contractual protection has been obtained or the seller providing the contractual protection becomes insolvent could give rise to negative effects on the Group's activities and profitability.
The Mittel Group's entry into a new business sector also involves the exposure to risks typical of that operating sector, even if the investment represents an important potential growth factor and is in line with the predefined strategic guidelines.
Also note that the healthcare sector is subject to strict regulations as a result of the healthcare content of services provided by the operators. The activity characterising the sector is subject to the completion of authorisation, accreditation and convention-related procedures which (i) involve the relevant health authorities and public administration bodies and (ii) require that high quality standards are maintained in the provision of healthcare, support and auxiliary services and in management of the structures. Though, in a certain sense, the aspects described constitute a critical success factor and impose entry barriers to

potential competitors, it cannot be excluded that the removal of Regional Health Service agreements or the authorisations for one or more of the structures managed and, in more general terms, for operations in a strongly regulated sector, exposes the Group to regulatory, sector and business risks that could lead to future unexpected negative impact on the financial position and performance.
Similar considerations could potentially apply to other operating segments (current and future) of the Group.
As regards the risks associated with reference market competitiveness, though the Italian healthcare market is still fragmented and has significant room for combinations, there are still a number of major groups already in operation. Furthermore, there has been recent interest in the Italian market from leading French operators. In this respect, note that operators that can demonstrate easy access to funding are preferred in the development programmes, as the sector raises entry barriers such as high-level investments and authorisation for accreditation of the structures. In addition, the national health service bodies play an even more central role in the provision of healthcare services. This factor could in the future represent a potential obstacle to full expansion of the private sector in certain regional markets. Consequently, despite the fact that the Mittel Group's entry to this sector was through the acquisition of a group already operative, it cannot be excluded that the characteristics of the reference market described above result in an exposure to competition risks that could lead to negative developments in the competitive position.
Lastly, note that - by its very nature - acquisition of the Zaffiro Group requires activities to be carried out which are typical of integrating companies that are already members of an existing group. Therefore it cannot be excluded that the implementation of this integration process will involve costs, especially in the initial stages, or that the complete and effective integration of the companies might require longer than expected or achievement of the forecast results fails or proves more complex than expected.

Significant events after 31 March 2017

Mittel 2017-2023 bond subscription public offer, voluntary and partial early redemption of Mittel 2013-2019 bonds and voluntary and global public exchange offer on Mittel 2013-2019 bonds

On 15 May 2017, Mittel S.p.A. announced a transaction involving the promotion of a 6-year bond subscription public offer with an approximate gross annual return of 3,75%, for a total of around EUR 99 million, which can be increased by the Issuer to approximately EUR 124 million.
If the number of 2017 Bonds issued as part of the Subscription Offer is for a total value of at least EUR 99 million (a condition that can be waived by the Issuer), Mittel will:

i. exercise the right of voluntary and partial early redemption for 50% of their nominal value on all the 2013 Bonds (at present equal to around EUR 100 million), and after the voluntary and partial redemption will,
ii. promote a voluntary and global public exchange offer on 2013 Bonds outstanding, issued by Mittel, listed on the MOT Screen-based Bond Market organised and operated by Borsa Italiana S.p.A., at a price that is represented by additional bonds issued by the Issuer.

To service the Offers, Mittel intends to arrange a single issue of 2017 Bonds for a maximum of around EUR 175 million, of which EUR 51 million for the Exchange Offer, to be listed on the MOT market.

The Subscription Offer will target the public in Italy, qualified investors in Italy and institutional investors. The fixed nominal annual rate of the 2017 Bonds, to be determined according to market conditions, will be disclosed to the public at the end of the period relating to the Subscription Offer.
As at the issue date the 2017 Bonds will be listed on the MOT market. The 2017 Bonds are not backed by collateral or personal guarantees. There is no subscription commitment, and no underwriting syndicate has been set up or is planned.
Equita SIM S.p.A. will act as Placement Agent.
The Subscription Offer will be subject to conditions in line with market practices.

If the Subscription Offer is successful (the "Minimum Quantity Condition"), i.e. the issue referring to the Subscription Offer is a number of 2017 Bonds with a total nominal value of at least EUR 99 million, the Issuer will exercise the right to voluntary and partial early redemption of the 2013 Bonds (nominal value of around EUR 100 million) for 50% of their nominal value, pursuant to article 6 of the regulation for the related bond loan. Early redemption, if the Minimum Quantity Condition is met or the Issuer waives that condition, will be at the redemption price of 102% of the nominal value of the 2013 Bonds. In this case, the Issuer will arrange the early redemption of the 2013 Bonds subject to notice published on the Issuer's web site, and by other methods envisaged in applicable regulations, at least 15 business days prior to the early redemption date.

Again providing the Minimum Quantity Condition is met or the Issuer waives that condition, and subject to exercise of the right of partial early redemption, Mittel will promote the Exchange Offer on all 57.059.155 2013 Bonds outstanding and listed on the MOT.
To each subscriber to the Exchange Offer, the Issuer will recognise an amount represented by 2017 Bonds, with a unit value to be paid to bondholders of a premium equal to at least 2% of the nominal value of the 2013 Bonds, as reduced following exercise of the partial voluntary early redemption. In relation to 2013 Bonds used in subscription to the Exchange Offer, the amount of interest accrued up to the settlement date of the 2013 Bonds will also be paid.
2013 Bonds used in subscription to the Exchange Offer and purchased by the Issuer will be cancelled in accordance with article 6 of the Regulations of the related bond loan.
The Exchange Offer will be subject to conditions in line with market practices.
Equita SIM S.p.A. will act as coordinating intermediary for the collection of subscriptions to the Exchange Offer.
The Exchange Offer will be promoted under the terms of exemption from the application of legal and regulatory provisions on public offers for subscription or exchange pursuant to article 101-bis, paragraph 3-bis, Italian Legislative Decree no. 58 of 24 February 1998, as amended, and in compliance with article 35-bis, paragraph 4 of the Consob Issuers' Regulation.

The issue of 2017 Bonds for an approximate maximum of EUR 175 million aims to refinance the bonds currently outstanding, issued by Mittel in 2013 for around EUR 100 million, optimising the debt structure in terms of costs and maturity and, at the same time, potentially increasing the funds available for the development of investment activities.
It should be remembered that the 2016-19 Strategic Plan envisages Mittel's focus on investment activities in majority interests in Italian SMEs with high cash flow generation, with the aim of achieving business strategies that contribute to the creation of long-term value. In this context, the preference is for build-up and value chain projects with a long-term investment strategy and active investment management.
Consistent with the strategy identified, the issue will allow Mittel to increase the average maturity of its debt by optimising the balance between the duration of commitments and the maturity of funding sources.

Compatible with obtaining the necessary authorisations, it is expected that the Subscription Offer and Exchange Offer - to be carried out one after the other by Mittel - will be completed by the end of 2017.

Other significant events after the close of the reporting period

On 11 April 2017, having accepted the resignation with immediate effect on 7 April by the Director Anna Maria Tarantola, the Board of Directors of Mittel S.p.A. resolved to co-opt Valentina Dragoni as Independent Director, who will remain in office until the first possible Shareholders' Meeting at which confirmation of her appointment can be proposed.

Again on 11 April 2017, through a specially established SPV, Gruppo Zaffiro S.r.l. acquired a new initiative in the care homes for the elderly sector in Rivignano, Udine province. The new structure, for which a total investment of around EUR 9,0 million is expected, will have around 120 beds and was financed through a property leasing facility. This transaction launches the growth plan which envisages use of the Zaffiro Group as a solid base on which a process of combining with other local healthcare operators can be created, with the aim over the next few years of becoming a reference point for the sector.

In implementation of the preliminary agreement signed in December 2016 between Mittel S.p.A. and Maire Investments S.p.A., on 19 April 2017 the transaction was finalised for the sale of the entire 21,81% investment held by Mittel S.p.A. in Castello SGR S.p.A. The transaction led to the collection of EUR 6,7 million.

Lastly, on 8 May 2017, with the strategic goal of achieving full control of Real Estate sector assets, Mittel Investimenti Immobiliari S.r.l. purchased 40% of Santarosa S.r.l. share capital (previously 60% owned by the Mittel Group) from Residenza Altaguardia 11 S.r.l. for a total of EUR 890 thousand. The company's sole asset is a property contract in Milan (Piazzale Santorre di Santarosa). As a result of this acquisition, Residenza Altaguardia 11 S.r.l. (or its appointed representatives) signed three preliminary purchase contracts for property units owned by Santarosa S.r.l. for a total value of EUR 963 thousand. The purchase qualifies as a related party transaction pursuant to Mittel S.p.A. Related Party Procedures, and was carried out after obtaining favourable opinion (not binding as the transaction is of lesser importance) of the Parent Company's Related Party Transactions Committee.

Business outlook for the year

In the coming months, implementation of the Strategic Plan will continue, aiming to transform Mittel S.p.A. into a dynamic, efficient company focusing on majority investments in Italian small and medium enterprises with a high cash-generating capacity, shifting the hub of activity towards high profit-potential activities.

As described fully in other sections of this report (to which reference should be made), consistent with the Plan guidelines, which identified Life Science as one of the most interesting sectors for investment, in the first half of this year - on 9 November 2016 - Mittel S.p.A. acquired 75% of the Zaffiro Group, a major player in the Italian healthcare industry.

In the next few months, management aims to make new investments also in other areas where business excellence, combined with long-term industrial funding, offers extensive opportunities to create value for the Group and its investees.

For this purpose, the funding recovery process will continue through disposals, credit collection action and cost reductions.

Lastly, also forming part of this scenario is the bond issue announced on 15 May 2017 and described in greater detail in this report under subsequent events, to which reference should be made.

Other information

Research and development activities
Given the nature of the Group companies, no specific research and development activities are carried out.

Atypical and/or unusual transactions
Pursuant to Consob communication of 28 July 2006, it should be noted that the parent company and the Group did not carry out atypical and/or unusual transactions during the period which were not communicated to the market in accordance with the Issuers' Regulation.

Significant non-recurring events and transactions
Pursuant to the aforementioned Consob communication, no significant non-recurring transactions were performed by the parent company or the Group during the period.

Information on the environmental impact
Given the nature of the Group companies, no specific activities with an impact on the environment are carried out. Therefore, there are no significant environmental issues to report.

Human resources
Personnel are suited to meeting the needs of companies belonging to the sector in which the Group operates.
Training activities were focused on updating staff on the changes in the legislation and regulations that apply to the Group and on training courses regarding IT tools for supporting the organisation of work.

Transactions with related parties of the Group
In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, in the first half of the year 2016-2017, transactions were entered

into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out. All transactions were performed on an arm's length basis and generally refer to:

- the supply of general and administrative services between the Group companies;
- intercompany loan relationships and surety obligations;
- the intercompany transfer of IRES (corporate income tax)/VAT receivables;
- the issuing of guarantees from Group companies to investees.

On 11 April 2017, the Board of Directors of Mittel S.p.A. resolved to confer a mandate on the Chief Executive Officer to complete all action necessary to: (i) renew the option allowing Group taxation of the Company pursuant to articles 117 et seq. of Italian Presidential Decree no.917/86 for the years 2016/2017, 2018 and 2019, and the subsidiaries (direct or indirect) Mittel Investimenti Immobiliari S.r.l., Mittel Advisory S.r.l., CAD Immobiliare S.r.l., Fede S.r.l. and Esse Ventuno S.r.l. in liquidation; (ii) to exercise the option for participation in the Company's tax consolidation, pursuant to the regulation indicated in the previous point, of the following direct or indirect subsidiaries: Ghea S.r.l., Iniziative Nord Milano S.r.l., Zorro S.r.l., Gruppo Zaffiro S.r.l., Zaffiro Ancona S.r.l., Zaffiro Fagagna S.r.l., Zaffiro Magnano S.r.l., Zaffiro Martignacco S.r.l., Zaffiro Montesicuro S.r.l., Zaffiro San Lorenzo S.r.l., Zaffiro Tarcento S.r.l., Zaffiro Urbania S.r.l., Zaffiro Ancona Uno S.r.l., Zaffiro Rivignano S.r.l., Zaffiro Fermo S.r.l. and Zaffiro Sviluppo S.r.l.

Transactions with related parties other than Group companies

Other transactions with related parties other than Group companies refer to:

- billing of administrative and consultancy services, falling under ordinary operations, by Mittel S.p.A. to natural persons and companies falling within the wider definition of related parties;
- salaries and other fees due to key Group managers.

All transactions with related parties were conducted on an arm's length basis and, therefore, there are no atypical and unusual transactions to report.
Reference should also be made to the section "Significant events in the first half of the year" in relation to the extension granted to Liberata on the vendor loan and to the section "Significant events after 31 March 2017" in relation to the acquisition of 40% of Santarosa S.r.l.

Treasury shares

As at 31 March 2017, the Company held 12.357.402 treasury shares which account for 14,057% of the share capital.

Share-based payment arrangements

Description of share-based payment arrangements relating to the long-term incentive plan involving the assignment of SARs (Stock Appreciation Rights) on Mittel S.p.A. shares

As at 31 March 2017 there is only the option for share-based payment in the form of treasury shares due to Mittel S.p.A. against the issue of the "Mittel 2016 Stock Appreciation Rights (SARs) Plan" approved by the Parent Company shareholders' meeting of 24 March 2016.

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer and management with share-based payments on shares representing capital.
On 22 February 2016 the Board of Directors approved the medium/long-term incentive plan reserved for the Chief Executive Officer and other managerial staff based on the assignment of a variable share-based compensation (Stock Appreciation Rights or SARs) at the end of the multi-year reference period and against the achievement of objectives. The objectives are predefined, linked to parameters verifiable ex-post and scalable in that they are assigned according to the office or role covered within the Group and based on the expected results.
These financial instruments offer beneficiaries the right, subject to the predefined conditions being met and at the end of the last year of the vesting period, to obtain the cash equivalent of the increased value of the company's ordinary shares compared to the value on assignment or, at the discretion of the Board of Directors, that value increase in the form of Company shares.
The long-term variable component (payable in cash or in Mittel S.p.A. shares at the discretion of the Board of Directors) will be equal to the difference between the ordinary share's closing price (calculated on the

arithmetic average of the share's closing price in the thirty trading days prior to the exercise date) and the strike price (calculated on the arithmetic average of the share's closing price in the thirty trading days prior to assignment of the financial instruments). A number of instruments assigned to each beneficiary is determined, based on financial models that calculate the starting price of the share and provide an estimate of its present value.
The long-term incentive plan has a 5-year duration, of which 4 years as vesting period and one year for exercise of the assigned instruments.
All the economic and asset-related effects of the medium/long-term incentive plan relating to the assigned SARs will be accounted for during the vesting period on the basis of a value determined by the financial models used to estimate the respective present value based on the most likely objective achievement results.
In the first half of the year the Stock Appreciation Rights plan led to the recognition of an estimated total cost of EUR 59 thousand.

Security Policy Document

Despite the elimination of the obligation to draft the Security Policy Document due to art. 46 of Decree Law on simplifications and development, the Directors acknowledge that the Group implemented all the necessary adjustment measures and actions in relation to the protection of personal data in accordance with the legal terms and methods with reference to changes that occurred within the Group.

Statement of reconciliation of equity and profit (loss) for the period

The reconciliation between equity and profit(loss) for the period of the Parent Company, as shown in the interim report as at 31 March 2017, and the equity and profit (loss) for the period of the Group, as reported in the condensed half-yearly consolidated financial statements as at the same date, is as follows:

(amounts in thousands of Euro)	**31 March2017**		**30 September 2016**	
	Equity	Profit (loss) for the period	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**191.142**	**15.245**	**174.005**	**(30.770)**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(105.863)		(73.072)	
Goodwill arising on consolidation	40.407			
Intangible assets arising from business combinations				
Net capital gain attributed to the activities of consolidated companies				
Pro rata amount of equity of consolidated companies	62.033		80.157	
Results achieved by fully consolidated companies		(1.656)		(39.132)
Cancellation of write-downs of investments	55		55	88.647
Adjustments for consistency with Group accounting policies:				
Fair value adjustments of financial assets				
Investments valued according to the equity method:				
Adjustments for pro-rata results of investments valued according to the equity method	47.248		71.826	
Income (loss) from Investments valued according to the equity method		2.010		25.248
Elimination of effects of transactions carried out between consolidated companies:				
Net intercompany income capitalised in consolidated companies				
Elimination of intragroup dividends:				
Dividends distributed by fully consolidated companies		(8.501)		(48.174)
Dividends distributed by associates		(8.183)		(325)
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and income (loss) for the period pertaining to the Group	**235.022**	**(1.085)**	**252.971**	**(4.506)**
Non-controlling interests	22.709	(80)	19.782	(7.097)
Consolidated equity and income (loss)	**257.731**	**(1.165)**	**272.753**	**(11.603)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

Amounts in thousands of Euro

	Notes	31.03.2017	30.09.2016
Non-current assets			
Intangible assets	4	40.479	41
Property, plant and equipment	5	5.639	3.764
Investments accounted for using the equity method	6	58.223	88.133
Financial receivables	7	91.648	100.176
Other financial assets	8	34.434	37.782
Sundry receivables and other assets	9	1.089	315
Deferred tax assets	10	231	1.256
Total non-current assets		**231.743**	**231.468**
Current assets			
Property inventories	11	93.410	99.591
Financial receivables	12	22.294	32.951
Other financial assets	13	8.589	6.909
Current tax assets	14	9.530	10.841
Sundry receivables and other assets	15	9.527	8.504
Cash and cash equivalents	16	96.010	84.990
Total current assets		**239.360**	**243.785**
Assets held for sale	17	6.700	-
Total assets		**477.804**	**475.254**
Equity			
Share capital		87.907	87.907
Share premium		53.716	53.716
Treasury shares		(21.554)	(21.554)
Reserves		116.038	137.408
Profit (loss) for the period		(1.085)	(4.506)
Equity pertaining to the Group	18	**235.022**	**252.971**
Non controlling interests	19	22.709	19.782
Total Equity		**257.732**	**272.754**
Non-current liabilities			
Bond issue	20	98.179	97.873
Financial payables	21	3.133	2.280
Other financial liabilities	22	7.442	-
Provisions for personnel	23	2.669	1.430
Deferred tax liabilities	24	7.722	9.495
Provisions for risks and charges	25	1.702	1.756
Sundry payables and other liabilities	26	125	478
Total non-current liabilities		**120.971**	**113.311**
Current liabilities			
Bond issue	27	1.298	1.310
Financial payables	28	74.369	77.872
Other financial liabilities	29	5.000	-
Current tax liabilities	30	254	13
Sundry payables and other liabilities	31	18.180	9.994
Total current liabilities		**99.101**	**89.189**
Total equity and liabilities		**477.804**	**475.254**

(*) Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated statement of financial position of the Mittel Group are outlined in the appropriate statement of financial position table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements.

CONSOLIDATED INCOME STATEMENT (*)

Amounts in thousands of Euro

		31.03.2017	31.03.2016	30.09.2016
Revenue	32	19.711	3.096	7.985
Other income	33	577	415	1.732
Variations in property inventories	34	(6.181)	865	(10.030)
Costs for purchases	35	(1.568)	(1.648)	(2.304)
Costs for services	36	(7.120)	(5.158)	(9.638)
Personnel costs	37	(7.320)	(3.829)	(6.627)
Other costs	38	(1.245)	(1.904)	(4.938)
Dividends	39	-	21	900
Profit (loss) from management of financial assets and investments	40	4.231	1.109	7.825
Gross operating margin (EBITDA)		**1.085**	**(7.033)**	**(15.095)**
Amortization and value adjustments to intangible assets	41	(426)	(155)	(321)
Allocations to the provision for risks	42	3	(150)	(365)
Value adjustments to financial assets and receivables	43	(1.109)	(267)	(23.533)
Share of income (loss) of investments accounted for using the equity method	44	142	(649)	25.242
Operating result (EBIT)		**(304)**	**(8.253)**	**(14.072)**
Financial income	45	2.456	3.327	6.642
Financial expenses	46	(4.131)	(4.616)	(8.973)
Profit (loss) from trading of financial assets	47	227	(88)	61
Income (loss) before taxes		**(1.753)**	**(9.631)**	**(16.342)**
Income taxes	48	588	1.050	4.739
Income (loss) from continuing operations		**(1.165)**	**(8.581)**	**(11.603)**
Income (loss) from discontinued operations		-	-	-
Profit (loss) for the period		**(1.165)**	**(8.581)**	**(11.603)**
Attributable to:				
Income (loss) pertaining to non-controlling interests	49	(80)	(430)	(7.098)
Profit (loss) pertaining to the Group		**(1.085)**	**(8.151)**	**(4.506)**

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated income statement of the Mittel Group are outlined in the appropriate Income statement table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements, to which reference should be made.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in thousands of Euro

	Notes	01.10.2016 31.03.2017	01.10.2015 31.03.2016
Profit (loss) for the period (A)		**(1.165)**	**(8.581)**
Other profits / (losses) comprehensive which will be not subsequently reclassified to profits / (losses) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		165	4
Tax effect relating to other profits/(losses) which will be not subsequently reclasified to profits/(losses)		(43)	(1)
Total Other profits / (losses) which will be not subsequently reclassified to profits / (losses) for the period, net ot taxes (B.1)		**122**	**3**
Other profits / (losses) comprehensive which are subsequently reclassified to profits / (losses) for the period:			
Effective part of the profits/(losses) on cash flow hedges	18	-	-
Profits/(losses) from the redetermination of available-for-sale financial assets	18	1.830	(6.845)
Profits/(losses) from the transfer of available-for-sale financial assets	18	(605)	(1.037)
Release to the income statement of losses for fair value impairment of available-for-sale financial assets	18	-	-
Profits/(losses) of companies valued using the equity method	18	(18.406)	(22.511)
Tax effect relating to other profits/(losses) whitch will be subsequently reclassified to profit or (loss)		43	(1)
Total Other profits / (losses) which will be subsequently reclassified to profits / (losses) for the period, net of taxes (B.2)		**(17.138)**	**(30.394)**
Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)		**(17.016)**	**(30.391)**
Total comprehensive profit/(loss) (A) + (B)		**(18.181)**	**(38.972)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		(136)	(571)
Income (loss) pertaining to the Group		(18.046)	(38.400)

Statement of changes in consolidated equity for the half-year ended 31 March 2017

Amounts in thousands of Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Cash flow hedge reserve	Reserve from available-for-sale financial assets	Share of comprehensive profits/(losses) of companies valued using the equity method	Non-controlling interests	Total
Balance as at 1 October 2015	**87.907**	**(26.515)**	**53.716**	**88.772**	**(87)**	**-**	**11.771**	**68.241**	**38.483**	**322.288**
Sale of treasury shares	-	9.180	-	(11)	-	-	-	-	-	**9.169**
Other changes	-	-	-	120	-	-	-	-	97	**217**
Dividends	-	-	-	-	-	-	-	-	(10.827)	**(10.827)**
Total comprehensive profit/(loss)	-	-	-	(8.151)	(1)	-	(7.737)	(22.510)	(571)	**(38.971)**
Balance as at 31 March 2016	**87.907**	**(17.335)**	**53.716**	**80.730**	**(88)**	**-**	**4.034**	**45.731**	**27.182**	**281.877**
Balance as at 1 October 2016	**87.907**	**(21.554)**	**53.716**	**84.621**	**(138)**	**-**	**5.153**	**43.266**	**19.782**	**272.754**
Changes in the consolidation scope	-	-	-	75	(75)	-	-	-	-	**-**
Capital payments by non-controlling shareholders	-	-	-	-	-	-	-	-	4.500	**4.500**
Other changes	-	-	-	94	-	-	-	-	62	**156**
Dividends	-	-	-	-	-	-	-	-	(1.499)	**(1.499)**
Total comprehensive profit/(loss)	-	-	-	(1.085)	100	-	1.348	(18.406)	(136)	**(18.179)**
Balance as at 31 March 2017	**87.907**	**(21.554)**	**53.716**	**83.705**	**(113)**	**-**	**6.501**	**24.860**	**22.709**	**257.732**

Consolidated cash flow statement

Amounts in thousands of Euro

	Notes	31.03.2017	31.03.2016
OPERATING ACTIVITIES			
Net income (loss) for the period pertaining to the Parent Company and non-controlling interests		**(1.165)**	**(8.581)**
Adjustments to reconcile net income (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		181	82
Deferred taxes		(768)	(1.132)
Amortization of property, plant and equipment		401	97
Amortization of intangible assets and write-downs		25	55
Dividends received		-	(21)
Financial income		(2.456)	(3.327)
Financial expenses		4.131	4.616
Allocations to provisions for risks and charges		(3)	150
Provisions for employee severance indemnity		344	108
Expenses for incentive plan with settlement option through equity instruments		59	42
Other non-monetary net income		731	-
Profits/(losses) of investments valued according to the equity method		(142)	378
Write-downs (write-backs) of receivables		73	266
Capital gains (losses) from transfer/deconsolidation of share capital instruments		(3.903)	(994)
Write-downs (write-backs) of available-for-sale financial assets		1.035	39
Profits/(losses) from trading of financial assets		(227)	115
Cash flows from operating activities before changes in working capital		**(1.684)**	**(8.107)**
(Increase)/decrease in property inventories		6.181	(709)
(Increase)/decrease in trade receivables and other current assets		1.071	3.463
Increase/(decrease) in trade payables and other current liabilities		1.460	(1.509)
Cash and cash equivalents generated (absorbed) by operating activities		**7.027**	**(6.862)**
Uses of provisions for risks and charges		(235)	(1.893)
Payments of employee severance indemnity		(596)	(461)
Changes in deferred tax assets		1.311	3.071
Changes in current tax liabilities		-	(1.194)
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**7.507**	**(7.339)**
INVESTING ACTIVITIES			
Dividends received from subsidiaries and associates		8.183	270
Dividends received on financial assets		-	21
Equity investments:			
Cash flow connected to business combinations	3	(21.850)	-
Increase in available-for-sale financial assets		-	(344)
Other investments (property, plant and equipment and intangible assets)		(302)	(124)
Increases in other non-current assets		-	-
Realisation from disposal of:			
Equity instruments available for sale		1.390	1.608
Other non-current assets (property, plant and equipment, intangible assets and other)		-	165
Collections/payments deriving from derivative financial instruments held for trading		1.113	128
(Increase) decrease in financial receivables due from customers and financial institutions		20.474	(1.561)
Interest collected		1.886	2.959
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**10.894**	**3.122**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(6.771)	(20.802)
Interest paid		(3.610)	(4.326)
Sale of treasury shares		-	9.167
Capital payments by non-controlling shareholders		4.500	-
Payment of dividends to non-controlling interest		(1.499)	(10.827)
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(7.380)**	**(26.788)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**11.021**	**(31.005)**
OPENING CASH AND CASH EQUIVALENTS (E)		84.989	100.598
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)		**96.010**	**69.593**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Amounts in thousands of Euro

	Notes	31.03.2017	*of which related parties*	*%*	30.09.2016	*of which related parties*	*%*
Non-current assets							
Intangible assets	4	40.479	-		41	-	
Property, plant and equipment	5	5.639	-		3.764	-	
Investments accounted for using the equity method	6	58.223	-		88.133	-	
Financial receivables	7	91.648	57.079	62,3%	100.176	66.102	66,0%
Other financial assets	8	34.434	-		37.782	-	
Sundry receivables and other assets	9	1.089	-		315	-	
Deferred tax assets	10	231	-		1.256	-	
		231.743	**57.079**	**24,6%**	**231.468**	**66.102**	**28,6%**
Attività correnti							
Property inventories	11	93.410	-		99.591	-	
Financial receivables	12	22.294	17.131	76,8%	32.951	57	0,2%
Other financial assets	13	8.589	-		6.909	-	
Current tax assets	14	9.530	-		10.841	-	
Sundry receivables and other assets	15	9.527	101	1,1%	8.504	11	0,1%
Cash and cash equivalents	16	96.010	-		84.990	-	
Total current assets		**239.360**	**17.232**	**7,2%**	**243.785**	**68**	**0,0%**
Assets held for sale	17	6.700	-		-	-	
Total assets		**477.804**	**74.311**	**15,6%**	**475.254**	**66.170**	**13,9%**
Equity							
Share capital		87.907	-		87.907	-	
Share premium		53.716	-		53.716	-	
Treasury shares		(21.554)	-		(21.554)	-	
Reserves		116.038	-		137.408	-	
Profit (loss) for the year		(1.085)	-		(4.506)	-	
Equity pertaining to the Group	18	**235.022**	**-**		**252.971**	**-**	
Non controlling interests	19	22.709	-		19.782	-	
Total Equity		**257.732**	**-**		**272.754**	**-**	
Non-current liabilities							
Bond issue	20	98.179	-		97.873	-	
Financial payables	21	3.133	-		2.280	-	
Other financial liabilities	22	7.442	-		-	-	
Provisions for personnel	23	2.669	-		1.430	-	
Deferred tax liabilities	24	7.722	-		9.495	-	
Provisions for risks and charges	25	1.702	-		1.756	-	
Sundry payables and other liabilities	26	125	-		478	-	
Total non-current liabilities		**120.971**	**-**	**0,0%**	**113.311**	**-**	**0,0%**
Current liabilities		-					
Bond issue	27	1.298	-		1.310	-	
Financial payables	28	74.369			77.872	-	
Other financial liabilities	29	5.000	-		-	-	
Current tax liabilities	30	254	-		13	-	
Sundry payables and other liabilities	31	18.180	361	2,0%	9.994	578	5,8%
Total current liabilities		**99.101**	**361**	**0,4%**	**89.189**	**578**	**0,6%**
Total equity and liabilities		**477.804**	**361**	**0,1%**	**475.254**	**578**	**0,1%**

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Amounts in thousands of Euro

		31.03.2017	*of which related parties*	*%*	31.03.2016	*of which related parties*	*%*	30.09.2016	*of which related parties*	*%*
Revenue	32	19.711	78	0,4%	3.096	145	4,7%	7.985	291	3,6%
Other income	33	577	21	3,6%	415	-		1.732	30	1,8%
Variations in property inventories	34	(6.181)			865			(10.030)		
Costs for purchases	35	(1.568)			(1.648)			(2.304)		
Costs for services	36	(7.120)	(2.469)	34,7%	(5.158)	(2.531)	49,1%	(9.638)	(2.157)	22,4%
Personnel costs	37	(7.320)	(156)	2,1%	(3.829)	(154)	4,0%	(6.627)	(1.215)	18,3%
Other costs	38	(1.245)			(1.904)			(4.938)		
Dividends	39	-			21	-		900	666	74,0%
Profit (loss) from management of financial assets and investments	40	4.231			1.109			7.825		
Gross operating margin (EBITDA)		**1.085**			**(7.033)**			**(15.095)**		
Amortization and value adjustments to intangible assets	41	(426)			(155)			(321)		
Allocations to the provision for risks	42	3			(150)			(365)		
Value adjustments to financial assets and receivables	43	(1.109)			(267)			(23.533)		
Share of income (loss) of investments accounted for using the equity method	44	142			(649)			25.242		
Operating result (EBIT)		**(304)**			**(8.253)**			**(14.072)**		
Financial income	45	2.456	1.669	68,0%	3.327	2.320	69,7%	6.642	4.387	66,0%
Financial expenses	46	(4.131)			(4.616)	(15)	0,3%	(8.973)	(26)	0,3%
Profit (loss) from trading of financial assets	47	227			(88)	-		61		
Income (loss) before taxes		**(1.753)**			**(9.631)**	**-**		**(16.342)**		
Income taxes	48	588			1.050 -			4.739		
Income (loss) from continuing operations		**(1.165)**			**(8.581)**			**(11.603)**		
Profit (loss) for the period		**(1.165)**			**(8.581)**	**-**		**(11.603)**		
Attributable to:										
Income (loss) pertaining to non-controlling interests	49	(80)			(430)			(7.098)		
Profit (loss) pertaining to the Group		**(1.085)**			**(8.151)**			**(4.506)**		

Explanatory notes

1. Form and content of the financial statements

The consolidated half-yearly financial report is composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, accompanied by the explanatory notes. The income statement was drafted in line with the minimum contents of IAS 1 - Presentation of Financial Statements - with classification of costs by nature; the Statement of Financial Position was prepared according to the layout which highlights the breakdown of ‘current/non-current’ assets and liabilities. The cash flow statement was drafted using the indirect method.

The consolidated half-yearly financial report is expressed in thousands of Euros.

2. Significant accounting standards and basis of preparation

2.1 General principles

The condensed half-yearly consolidated financial statements for the year ended 31 March 2017 were drafted in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and approved by the European Union as at 31 March 2017, and the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. IFRS also mean all revised international accounting standards (“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

The half-yearly financial statements for the 1 October 2016 - 31 March 2017 period were drafted according to IAS 34 Interim financial reporting. The half-yearly financial statements as at 31 March 2017 do not include all the additional information required in the annual financial statements and should be read together with the annual financial statements of the Group as at 30 September 2016. The explanatory notes are also presented in accordance with the minimum information required by IAS 34 and the additions deemed useful for a better understanding of the half-yearly financial report as at 31 March 2017.

The condensed half-yearly consolidated financial statements were prepared on the basis of the general historical cost principle, amended as required for the valuation of certain financial instruments. The directors established that, despite the presence of a difficult economic and financial context, no significant uncertainties existed, as defined by paragraph 24 of IAS 1, regarding the going concern assumption.

This section illustrates the general principles adopted in the drafting of the condensed half-yearly consolidated financial statements as at 31 March 2017, as required by IAS 1.

a) Going concern
Assets, liabilities and “off-statement of financial position” transactions are valued according to operating values, given that they are set to last over time.

b) Accrual basis accounting
Costs and revenue are recorded, regardless of the moment of their monetary settlement, on an accrual basis and according to the matching criterion.

c) Consistency of presentation
The presentation and classification of items are maintained constant over time in order to ensure the comparability of information, except where their change is required by an International Accounting Standard or interpretation, or it makes the presentation of values more appropriate, in terms of significance and reliability. If a presentation or classification criterion is changed, the new one applies, where possible, retroactively; in this case, the nature and the reason for the change are also indicated, as well the affected items.

d) Materiality and Aggregation
Each material class of similar items is shown separately in the financial statements. Items with a dissimilar nature or function are presented separately.

e) Prohibition of offsetting
Assets and liabilities, costs and revenue are not offset against one another, except where required or permitted by an International Accounting Standard.

f) Comparative information
Comparative information is shown for all figures contained in the financial statements, unless prescribed or permitted otherwise by an international accounting standard or interpretation. Descriptive information is also included, when useful for understanding the data.

2.2 Financial statements and tables

The condensed half-yearly consolidated financial statements are composed of the Income Statement, Statement of comprehensive income, Statement of Financial Position, Cash flow statement and Statement of changes in equity, accompanied by the explanatory notes. They were drafted in line with the minimum contents of IAS 1 –Presentation of Financial Statements.

The table “Other comprehensive income” includes the components of income suspended in equity such as:
- profits and losses from the redetermination of available-for-sale financial assets;
- the effective part of the profits and losses on cash flow hedging instruments;

Other profits (losses) that will or will not be subsequently reclassified to profit (loss) for the period are also shown.

The variations generated by transactions with non-owners must be shown in a single separate table that shows the performance in the period (statement of comprehensive income and losses recorded) or in two separate statements: a table that shows the components of profit (loss) for the period (income statement) and a second table that starts from profit (loss) for the period and shows the items of the table of the other comprehensive income statement (Statement of comprehensive income).

These changes generated by transactions with non-owners must also be shown separately in the Statement of changes in equity with respect to variations generated by transactions with owners.

The Group chose to show all changes generated by transactions with non-owners in two tables which measure the performance in the period, entitled “Income Statement” and “Statement of comprehensive income”.

The income statement is drafted according to the layout with the classification of costs by nature, showing the interim results relating to the gross operating margin, operating result and the pre-tax result. The operating result is determined as the difference between net revenue and operating costs (the latter including non-monetary costs relating to amortization/depreciation and write-downs of current and non-current assets, net of any write-backs) and including capital gains and losses generated by the disposal of non-current assets. In order to permit a better measurement of the trend in ordinary operations, cost and revenue components deriving from events or transactions that are considered non-recurring due to their nature or the materiality of their amount, are indicated separately, where significant.

The Statement of Financial Position is prepared according to the layout that shows a breakdown of assets and liabilities between current and non-current. Assets and liabilities are classified as current when they meet the following criteria:
- current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the normal execution of the Group’s operating cycle, assets held for trading, or those that are expected to be realised within twelve months from the closing date of the reporting period;
- current liabilities are those that are expected to be extinguished during the normal operating cycle of the Group or within twelve months from the reporting date, liabilities held for trading or those that do not

have an unconditional right to deferment of their extinguishment after twelve months. All other liabilities must be classified as non-current liabilities.

The Statement of Changes in Equity illustrates the changes that took place in items of equity relating to:
- allocation of the Group's profit (loss) for the period to non-controlling shareholders;
- amounts relating to transactions with shareholders;
- each item of profit and loss net of taxes, which is booked directly to equity or has a contra-item in an equity reserve;
- change in the valuation reserve of available-for-sale financial assets and in the cash flow hedge reserve;
- effect of any changes in accounting standards.

The Cash flow statement was drafted by applying the indirect method, through which the net income is adjusted by the effects of non-monetary transactions, any deferment or provision of previous or future operating collections or payments and by elements of revenue or costs connected to the cash flows deriving from investing or financing activities. Income and expenses relating to medium/long-term financing transactions and to the associated hedging instruments, as well as the dividends paid, are included in financing activities.

The figures of these condensed half-yearly consolidated financial statements are compared with:
- the statement of financial position: 30 September 2016;
- the income statement: 31 March 2016 and 30 September 2016;
- Statement of comprehensive income: 31 March 2016;
- Changes in equity: 31 March 2016;
- Cash flow statement: 31 March 2016.

It should also be noted that, in order to comply with the indications in Consob Resolution no. 15519 of 27 July 2006 "Provisions governing financial statement layouts", in addition to the mandatory tables, the appropriate Income Statement and Statement of Financial Position tables were prepared, with evidence of the amounts of positions or transactions with related parties indicated separately from the respective reference items.

The values of the items in the consolidated financial statements are expressed in thousands of Euro.

This half-yearly consolidated financial report was authorised for publication, in accordance with IAS 10, by the Board of Directors on 24 May 2017. Reference should be made to the information in the Directors' Report on Operations for a description of the significant events after the close of the half-year as at 31 March 2017. From 31 March 2017 to 24 May 2017 no events arose that would result in an adjustment to the figures presented in the condensed half-yearly consolidated financial statements.

2.3 Accounting standards adopted by the Mittel Group

Intangible assets (IAS 38)

Intangible assets are identifiable non-monetary assets without physical substance, held to be used in a multi-year or indefinite period. These are recorded at cost, adjusted for additional expenses only if it is probable that the future economic benefits that are attributable to the asset will be realised and if the cost of the asset can be measured reliably. In the opposite case, the cost of the intangible asset is booked to the income statement in the year in which it was incurred.

The cost of intangible assets with a finite useful life is amortized using the straight-line method on the basis of the relative useful life.
If the useful life is indefinite, no amortization is carried out, solely the periodic verification of the adequacy of the book value of the fixed assets. Intangible assets originating from software developed internally and acquired from third parties are amortized on a straight-line basis, effective from the completion and entry into operation of the applications based on the relative useful life. At each reporting date, in the presence of impairment, the recoverable value of the asset is estimated.

The amount of the loss, booked in the income statement, is equal to the difference between the asset's book value and its recoverable value.

An intangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use.

Goodwill can be recorded if representative of future income-generating capacities of the investee. A test is conducted at the close of each financial year to check the value of goodwill. Any impairment loss is determined on the basis of the difference between the book value of goodwill and its realisable value, equal to the higher of the fair value of the cash generating unit, less costs to sell, and the associated value in use.

Development costs refer to new product innovation projects and are recorded under assets in compliance with the considerations of IAS 38, i.e.:
- demonstrability of the technical feasibility of the products;
- intention of the Group to complete the development project;
- reliable determination of the costs incurred for the project;
- recoverability of the values recorded through the future expected benefits from completion of the development project.

It should be noted that said item includes intangible assets under development to be amortized starting from the year their useful life starts.

Intangible assets with an indefinite life

An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group.
Intangible assets with an indefinite useful life are not amortized but are subject to an impairment test, to verify the recoverability of their carrying amount; this test pertains to the value of the individual asset and is carried out when impairment has been identified and, in any case, at least on an annual basis.

Property, plant and equipment (IAS 16)

Property, plant and equipment are initially measured at cost which includes not only the purchase price, but all additional expenses directly attributable to the purchase and to bringing the asset to working condition for its intended use.
Extraordinary maintenance costs which involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.
Property, plant and equipment include operating premises, plants, furniture, fittings and equipment of any type.
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.
Property, plant and equipment are valued at cost, less any accumulated depreciation and impairment.
Property, plant and equipment are systematically depreciated over their useful life, by adopting the straight-line method.

The depreciation rates used by Group companies are as follows:
- Buildings, a range of between 3,0% and 6,0%
- Vehicles, 25,00%
- Furniture and fittings, a range of between 10,0% and 12,0%
- Electronic machines, a range of between 20% and 33,3%
- Plant and equipment, a range of between 12% and 25,0%

Land is not depreciated as it has an indefinite useful life.
Capitalisable costs for improvements to leased third-party assets are attributed to the asset classes to which they refer and amortized at the lower of the residual term of the rental agreement and the residual useful life of the asset to which the improvement relates.
At each reporting date, testing must be performed for any signs of impairment, or indications that show that an asset may have been impaired.

If there are signs of impairment, a comparison is made between the book value of the asset and its recoverable value, equal to the higher of the fair value, less costs to sell, and the associated value in use of the asset, understood as the present value of future cash flows originating from the asset. Any adjustments are booked to the income statement. If the reasons for the recognition of the loss no longer exist, the value is revised, which cannot exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.
Property, plant and equipment are derecognised from the statement of financial position on disposal.
Profits and losses deriving from transfers or disposals of assets are determined as the difference between the sales revenue and the net book value of the assets and are recognised in the income statement in the period.

Leased assets (IAS 17)

Assets acquired under a finance lease are recorded under property, plant and equipment, with the recognition of a financial liability for the same amount under liabilities.
The liability is gradually reduced on the basis of the repayment plan of principal amounts included in contractual payments, while the value of the asset recorded under property, plant and equipment is systematically depreciated on the basis of the economic-technical life of the asset itself, or if shorter, based on the terms of expiry of the lease.
Costs for lease charges deriving from operating leases are recorded on a straight-line basis, based on the lease term.

Investments accounted for using the equity method (IAS 28)

Associates

The item includes interests held in:

- associates, recorded according to the equity method. Companies in which at least 20% of voting rights is held and investments which ensure influence over governance are considered associates;
- jointly controlled companies, also recorded according to the equity method;
- other minor investments, maintained at cost.

Investments in associates are measured according to the equity method, determined on the basis of the IFRS. According to said method, investments in associates are recognised in the statement of financial position at cost, adjusted for changes following the acquisition in the net assets of the associates, net of any impairment of the individual investments. The excess of the acquisition cost over the Group's percentage of the present value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date is recognised as goodwill.
If the acquisition cost is lower than the Group's percentage of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date, the value is credited to the income statement in the year of the acquisition. With reference to transactions which take place between a Group company and an associate, unrealised profits and losses are eliminated to the extent of the Group's percentage interest in the associate, with the exception of the cases in which unrealised losses constitute evidence of impairment of the transferred asset.
If there is evidence that the value of an investment has been impaired, the recoverable value of said investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment.
If the recoverable value is lower than the book value the relative difference is booked to the income statement. If the reasons for the impairment no longer exist following an event that occurred after the recognition of the impairment, reversals of the impairment losses are booked to the income statement.

Companies subject to joint control

IFRS 11, in force from 1 January 2014, replaces IAS 31, - Interests in joint ventures -, and SIC 13, - Jointly Controlled Entities - Non-monetary Contributions by Venturers -, and eliminated the possibility of adopting the proportional consolidation method, imposing the move to the equity method for consolidating jointly controlled entities.

Other financial assets (IAS 32 and 39)

The item includes available-for-sale financial assets (current and non-current assets) and financial assets at fair value (non-current assets) and financial assets held for trading (current assets), as detailed below.

Available-for-sale financial assets

Financial assets are initially recognised at the settlement date for debt securities or equities.
The assets are initially recognised at fair value which corresponds to the prices recorded in active markets and, for unlisted securities, based on third party evaluations or on internal valuation models generally used in financial practice.
This category includes non-derivative financial assets that are not classified as receivables or financial assets at fair value through profit or loss.
In particular, this item includes investments not held for trading which do not qualify as investments in subsidiaries, associates or joint ventures, and bonds which are not traded. Following initial recognition, available-for-sale financial assets continue to be measured at fair value, with profits/losses deriving from the change in fair value recorded in a special equity reserve, with the exception of impairment losses. Equities, for which the fair value cannot be determined reliably, are maintained at cost, adjusted in the event impairment losses are identified.

For the determination of the fair value of financial instruments, a three-level hierarchy is envisaged:
1) Listing on an active market, not adjusted. An active market is one where prices, which reflect normal market transactions, are quickly and regularly available via Stock Markets, Brokers, Intermediaries, Sector companies, Listing services or authorised entities and express the price, of actual, adequate, continuous and regular market transactions that occur within a normal reference period.
2) Recognition of the fair value through components observable directly or indirectly on a listed market. In the event that the components used contain elements not observable directly on the market and/or adjusted, the significance of the same is established with respect to the fair value to define whether said fair value can be considered second or third level.
3) The use of estimate methods and evaluation models commonly adopted by the international financial community which take account of the specific characteristics of the instrument to be evaluated, with particular focus on the different types of risk associated with it and simultaneously use values not taken from the market and involve estimates and assumptions.

Testing is carried out to check for any objective evidence of impairment at each reporting date.
The amount of any impairment loss recorded after impairment testing is booked to the income statement as a cost for the year under the item Value adjustments to financial assets and receivables.
If the reasons for the impairment no longer exist following an event that occurred after the recognition of the impairment loss it is reversed. These reversals are booked in equity, in the case of equities, and in the income statement in the case of debt securities.
Financial assets are derecognised when they are transferred, transferring substantially all inherent risks and rewards.
At the time of disposal, the effects deriving from the profit or loss accumulated in the fair value reserve are reversed to the income statement under the item Profits/(Losses) from the management of financial assets and investments.
Dividends and interest relating to available-for-sale financial assets are recognised in the income statement.
Based on the time frame for sale (within or beyond twelve months from the reporting date), available-for-sale financial assets are classified under “Other financial assets” in current or non-current assets.

Financial assets measured at fair value

This category contains securities acquired for the purpose of being held in the medium/long-term, and which are specifically designated as “non-current assets” at fair value through profit or loss. These assets are measured at fair value with a contra-item in the income statement. No impairment testing is conducted on said assets. Additional costs are charged to the income statement. Purchases and sales of these financial assets are accounted for on the settlement date.

Financial assets held for trading

Financial assets are initially recognised at the settlement date for debt securities and for derivative contracts. Upon initial recognition, financial assets held for trading are recorded at their fair value which normally corresponds to the consideration paid without taking into account the transaction costs or income directly attributable to said instrument which are, instead, booked directly to the income statement.
Debt securities, equities acquired mainly in order to obtain profits in the short-term and the positive value of derivative contracts (with the exception of those designated as hedging instruments) are classified in this category.
After initial recognition, financial assets held for trading are designated at fair value, with the recognition of changes in a contra-item in the income statement.

For the determination of the fair value of financial instruments, a three-level hierarchy is envisaged:

1) Listing on an active market, not adjusted. An active market is one where prices, which reflect normal market transactions, are quickly and regularly available via Stock Markets, Brokers, Intermediaries, Sector companies, Listing services or authorised entities and express the price, of actual, adequate, continuous and regular market transactions that occur within a normal reference period.
2) Recognition of the fair value through components observable directly or indirectly on a listed market. In the event in which the components used contain elements not observable directly on the market and/or adjusted, the significance of the same is established with respect to the fair value to verify whether said fair value can be considered second or third level.
3) The use of estimate methods and evaluation models commonly adopted by the international financial community which take account of the specific characteristics of the instrument to be evaluated, with particular focus on the different types of risk associated with it and simultaneously use values not taken from the market and involve estimates and assumptions.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is transferred, transferring substantially all related risks and rewards.
Profits and losses deriving from the variation in the fair value of the financial assets are recorded in the income statement under the item Profit (Loss) from trading of financial assets.

Property inventories (IAS 2)

Property inventories are composed of land, properties under construction-renovation and properties completed for sale.
The initial recognition of inventories of completed properties held for sale occurs at the moment costs are incurred which are directly attributable to the order under construction. At the time of initial recognition, property inventories are measured at cost, increased by incremental expenses and the financial expenses incurred.
The release of property inventories to the income statement takes place proportionally and at the same time as the transfer of the properties or parts of them.
During the initial phases of the order, given no sales have been verified, the order outcome cannot be estimated reliably, therefore, revenues are recognised under changes in inventories up to the limits of the costs incurred which are expected to be recovered. At the time of the transfer of the properties or parts of them, the actual order costs are recorded (incurred and estimated) by thousandths transferred, with the release of the property inventories to the income statement, under variations in inventories. It is only at this moment that the order profit or loss can be determined, in proportion to the part transferred.
Following initial recognition, property inventories held for sale continue to be measured at the lower of the cost (increased by incremental expenses and the financial expenses) and the market value based on transactions involving similar properties in terms of area and type.
Properties under construction and/or undergoing renovation are measured at the lower of the cost, increased by incremental expenses, capitalisable financial expenses and the corresponding estimated realisable value.

Loans and receivables (IAS 32 and 39)

All non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified under loans and receivables, with the exception of:

- those that are set aside for immediate or short-term sale, which are classified as held for trading and those that, upon initial recognition, are designated at fair value through profit and loss;
- those that, upon initial recognition, are designated as available for sale;
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables are initially recognised when the right to receive the payment of the contractually agreed sums is acquired and, therefore, at the time of the disbursement. The initial book value coincides with the fair value of the asset, normally equal to the amount disbursed, including costs/income directly attributable to the individual instrument and determinable from the origin of the transaction, even if settled at a later date.
If recognition under the item Loans and receivables takes place after reclassification from financial assets at fair value through profit or loss, then the fair value of the asset at the date of the reclassification represents the initial recognition value.
Following initial recognition, receivables are valued at amortized cost, equal to the initial recognition value, net of principal repayments, increased or decreased by impairment losses or reversal of impairment losses and amortization calculated using the effective interest rate method.
The effective interest rate is the rate that matches the present value of the future cash flows of the receivable, for principal and interest, to the amount disbursed, including costs/income attributable directly to the receivable.
At the reporting date, loans and receivables are tested for impairment, in order to identify any objective evidence that said loans and receivables have undergone impairment.
If there is objective evidence that the loans and receivables have undergone impairment, the amount of the loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is booked to the income statement.
The original value of the loans and receivables is written back in subsequent years, with recognition in the income statement, to the extent to which the reasons that determined the adjustment no longer exist.
Loans and receivables are derecognised from assets only if (i) the contractual rights to the cash flows deriving from the financial assets expire or (ii) the Group transfers all risks and rewards related to the financial assets.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the receivables are derecognised in the event no type of control is retained over said loans and receivables. In the opposite case, the maintenance of control, including partial, involves the retention of the loans and receivables in the financial statements to the extent of the Group's continuing involvement. The value of the continuing involvement in the transferred receivables corresponds to the extent to which the Group is exposed to a change in the value of said receivables.

Depending on their nature and expiry, loans and receivables are classified into the following items:

- financial receivables;
- sundry receivables and other assets.

Where, at the time of the recognition, the collectability of the loans and receivables is contractually established as after one year, these are classified under "non-current" assets. Loans and receivables falling due within one year are classified under "current" assets.

Cash and cash equivalents (IAS 32 and 39)

Cash and cash equivalents include bank and postal deposits, cash in hand and other forms of short-term investment, originally expiring in three months or earlier. Bank overdrafts are classified under financial payables in current liabilities. Elements included under cash and cash equivalents are measured at fair value and the associated changes booked to the income statement.

Assets and Liabilities held for sale and discontinued operations (IFRS 5)

Assets and Liabilities held for sale and Discontinued Operations are classified as such if their book value will be recovered mainly through sale rather than continuous use.

These conditions are considered to be met at the moment in which the sale or discontinuity of the disposal group are considered highly likely and the assets and liabilities are immediately available for sale in the conditions in which they are found.
When the Group is involved in a disposal plan which involves the loss of control of an investee, all assets and liabilities of said investee are classified as held for sale when the above conditions are satisfied, also in the case in which, after the disposal, the Group continues to hold a non-controlling interest in the subsidiary.
Assets held for sale are measured at the lower of their net book value and the fair value less costs to sell.

Non-current assets held for disposal, disposal groups and discontinued operations whose book value will be recovered mainly through sale rather than continuous use, are measured at the lower of their net book value and the fair value less costs to sell.
In particular, a disposal group is a collection of directly related assets and liabilities held for disposal as part of a single transaction.

Discontinued operations are, by contrast, comprised of a significant component of the group, e.g. an important autonomous business unit or geographic business area or a subsidiary acquired on the exclusive basis of a resale.
In compliance with IFRS, the data relating to non-current assets held for disposal, disposal groups and discontinued operations are presented in two specific items of the Statement of Financial Position: assets held for sale and liabilities directly associated with assets held for sale.

Non-current assets held for sale are not subject to amortization/depreciation and are measured at the lower of their book value and associated fair value, less costs to sell; any difference between the book value and the fair value less costs to sell is charged to the Income Statement as a write-down.
With exclusive reference to any discontinued operations, the net economic results achieved by them pending disposal, capital gains/losses deriving from said disposal and the corresponding comparative data of the previous year/period are presented in a specific item of the Income Statement: net profit (loss) from discontinued operations/assets held for sale.
By contrast, as regards capital gains/losses recorded as a result of measurement at fair value less costs to sell or from the disposal of non-current assets (or disposal groups) classified as “held for sale” pursuant to IFRS 5, a specific item was created in the income statement called “Income (loss) from non-recurring transactions” included in the operating result, as better described in the previous paragraph of the Financial Statements.

Derecognition of financial assets and liabilities

Financial assets:

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive the cash flows from the asset expire;
- the Group retains the right to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows in full and without delay to a third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In cases where the Group has transferred the rights to receive the cash flows from an asset and has neither transferred nor substantially retained all the risks and rewards or has not lost control of the asset, the asset is recognised in the Group’s financial statements to the extent of its continuing involvement in the financial asset. Continuing involvement which takes the form of guaranteeing the transferred asset is measured at the lower of the initial book value of the asset and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities:

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Payables and Bonds (IAS 32 and 39)

These financial liabilities are initially recognised at the time the contract is signed, which coincides with the moment the sums collected are received.
Liabilities are initially recognised on the basis of the fair value, normally equal to the amount collected or the issue price, increased or decreased by additional costs/income directly attributable to the individual funding transaction and not repaid to the creditor. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Depending on their nature and expiry, liabilities are classified into the following items:

- bonds;
- financial payables;
- sundry payables and other liabilities.

Where, at the time of the initial recognition, the collectability of the payable is contractually established as after one year, these are classified under “non-current” liabilities. Payables falling due within one year or indeterminate are classified under “current” liabilities.

Other financial liabilities (IAS 32 and 39)

Financial liabilities are initially recognised at the settlement date both for debt securities and for derivative contracts.
Upon initial recognition, financial liabilities held for trading are recorded at their fair value which normally corresponds to the consideration collected without taking into account the transaction costs or income directly attributable to said instrument which are, instead, booked directly in the income statement.
Debt securities and the negative value of derivative contracts (with the exception of those designated as hedging instruments) are classified in this category.
After initial recognition, financial liabilities held for trading are measured at fair value, with the recognition of changes in a contra-item in the income statement.
For the determination of the fair value of financial instruments quoted in an active market, market prices are used. In the absence of an active market, estimates and generally accepted valuation models are used, and which are based on observable market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, models for the determination of option prices and values recorded in recent comparable transactions.
Financial liabilities are derecognised when they expire or are extinguished also against purchases of the same securities. The difference between the book value of the liability and the amount paid to acquire it is recorded in the income statement.
Profits and losses deriving from the change in fair value of the financial liabilities are recorded in the income statement in the item Net income (loss) from trading activity.

Provisions for personnel (IAS 19)

The employee severance indemnity (TFR) is considered a defined benefit plan. Benefits guaranteed to employees are recognised monthly on an accrual basis and disbursed at the time of termination of employment.

The severance indemnity is accrued on the basis of the seniority reached at the end of the year by each individual employee in compliance with the laws and labour agreements in force at the reporting date. The accrual reflects the actual amount due to employees, based on the seniority accrued and salaries paid, recalculated on the basis of its actuarial value. The actuarial evaluations adopted are the best estimates regarding the variables that determine the final cost of the services after the termination of employment.
For discounting purposes, the Group uses the projected unit credit method which projects future disbursements on the basis of historical statistical analysis and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Actuarial gains and losses are recognised in the valuation reserve following the adoption of IAS 19 (revised).

Share-based payment arrangements (IFRS 2)

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer of Mittel S.p.A. and management with share-based payments on shares representing capital, consisting of the assignment of rights which, subject to the predefined conditions being met and at the end of the last year of the vesting period, offer beneficiaries the right to obtain the cash equivalent or, at the discretion of the Board of Directors, the equivalent in the form of parent company shares.
In particular, the long-term variable incentive plan is based on the assignment of Stock Appreciation Rights (SARs), the value of which depends on the Mittel S.p.A. share performance. This plan envisages that, subject to predefined conditions being met, the beneficiaries can receive the equivalent in cash or in shares of the increase in value of the Company's ordinary share.
The fair value of transactions involving share-based payments settled in the form of equity instruments is recognised as a cost in the income statement under personnel costs or service costs as a balancing entry to the related item in equity, proportionally according to the period in which the service is provided and in consideration of the conditions established in the Incentive Plan regulations that offer the Company the option of choosing between cash settlement or the issue of equity instruments.

Treasury shares (IAS 32)

Treasury shares in the portfolio are deducted from equity. No profit or loss deriving from the purchase, sale, issue or cancellation of treasury shares is recorded in the income statement. The differences between the purchase and sale prices deriving from said transactions are recorded among equity reserves.

Business combinations and Goodwill

A business combination consists of an amalgamation of businesses or separate company activities into a single entity responsible for preparing the financial statements.
The business combination may give rise to a shareholding relationship between the parent company (acquirer) and the subsidiary (acquiree) or may also involve the acquisition of the net assets of another entity, including goodwill.
Business combinations are accounted for using the acquisition method provided by IFRS 3 – Business Combinations. The cost of a business combination identified as the fair value, on the date control is acquired, of the assets transferred, liabilities assumed and equity instruments issued for the purposes of performing the combination, including directly attributable costs, is therefore allocated by recording, at the acquisition date, the fair value of the identifiable assets, liabilities and contingent liabilities in the acquisition that meet the conditions for recognition set out in IFRS 3.
Additional costs in business combination transactions are booked in the income statement in the period in which they are incurred.
Conditional considerations are considered part of the transfer price of the net assets acquired and measured at fair value on the acquisition date. Similarly, if the business combination contract makes provision for the right to the return of certain price components when specified conditions are met, this right is classified by the acquirer as an asset. Any subsequent changes in fair value shall be recognised to adjust the original accounting treatment only if they are caused by additional or better information about this fair value and if they take place within 12 months from the acquisition date; all other changes shall be recognised in the income statement.
Any positive difference between the cost of the acquisition and the Group's share of the fair value of the acquired identifiable assets, liabilities or contingent liabilities is recorded as goodwill. If the difference is negative, it is booked directly in the Income Statement. If the initial accounting for a business combination can be determined only provisionally, the adjustments to values initially attributed are recorded within 12 months from the acquisition date.
Non-controlling interests in the acquiree are initially measured to the extent of their share of the present values of the assets, liabilities and contingent liabilities recorded.
If a business combination is realised in several phases with subsequent purchases of shares, each phase is measured separately using the cost and information relating to the fair value of the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference.
The initial allocation to the above assets and liabilities, by availing of the option provided by IFRS 3, may be determined provisionally before the end of the year in which the transaction was carried out, and it is

possible to record the adjustment to the values assigned provisionally in the initial accounting within 12 months from the date of the acquisition of control.

Following initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill always relates to the profit-generating activities identified, whose income and cash-flow generating capacity is constantly monitored for the purposes of impairment testing.
In the case of an acquisition of a subsidiary in phases, the non-controlling interest held previously, up until that moment accounted for in accordance with IAS 39 – Financial Instruments: Recognition, or according to IAS 28 - Investments in Associates and Joint Ventures, is treated as if it had been sold and re-acquired on the date on which control was acquired. This investment is therefore measured at its fair value at the "transfer" date and the profits and losses resulting from the measurement are recorded in the income statement. In addition, each value previously recorded in equity as Other comprehensive profit and loss, booked in the income statement following the transfer of the asset to which it refers, is reclassified in the income statement. Goodwill or income (in the case of badwill) deriving from business concluded with subsequent acquisition is determined as the sum of the price paid to obtain control, the value of non-controlling interests (measured according to one of the methods permitted by the standard), the fair value of the non-controlling interest held previously, net of the fair value of the net identifiable assets acquired.
Accounting of the acquisition of additional investments in companies already controlled are considered transactions with owners and, therefore, the differences between the acquisition costs and the book value of the non-controlling shares acquired are booked to equity pertaining to the Group.
Similarly, sales of non-controlling shares without the loss of control do not generate profits/losses in the income statement, but changes in equity pertaining to the Group.

Income taxes (IAS 12)

The effects relating to current and deferred taxes calculated in compliance with national tax legislation based on the accruals principle are recognised, consistently with the methods of recognition in the financial statements of the costs and revenue that generated them, by applying the applicable tax rates.
Income taxes are recorded in the income statement, with the exception of those relating to items debited from or credited directly to equity.
The provision for income taxes is determined on the basis of a prudential forecast of current and deferred tax assets and liabilities.
In particular, current taxes include the net balance of current liabilities in the year and current tax assets represented by payments on account and other tax credits for withholding tax.
Deferred tax assets and liabilities are determined on the basis of temporary differences - with no time limits - between the carrying amount of an asset or a liability and their tax base.
Deferred tax assets are recognised in the financial statements to the extent they are likely to be recovered, measured on the basis of the capacity of the relevant company or group of companies, due to exercise of the "tax consolidation" option, to generate taxable profit on an ongoing basis.
Deferred tax assets and liabilities are accounted for at equity level by carrying out offsets at said tax level and for each year by taking into account the time profile of expected repayment.
In years in which the deductible temporary differences are higher than the taxable temporary differences, the associated deferred tax assets are recorded under assets in the statement of financial position, in the item deferred tax assets. By contrast, in years in which the taxable temporary differences are higher than the deductible temporary differences, the associated deferred tax liabilities are recorded under liabilities in the statement of financial position, in the item deferred tax liabilities.
Deferred tax assets and liabilities are systematically measured to take account of any changes to the regulations or the tax rates and any different subjective situations of Group companies. In addition to the allocation of current and deferred taxes, the Group monitors, in line with IAS 37, any risks that may result from tax assessments already announced or, in any case, ongoing disputes with the tax authorities.

Provisions for risks and charges (IAS 37)

Accruals to the provision for risks and charges are made exclusively when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required in order to fulfil the obligation;

- the amount of the obligation can be reliably estimated.

Where the time factor is significant, the provisions are discounted. The allocation to the provision is recorded in the income statement. Interest expense accrued on provisions that have been discounted is also recorded in the income statement.
"Other provisions" include allocations to cover presumed losses on legal proceedings in which the company is the defendant and any claw-back claims; estimated disbursements for customer complaints relating to activities; other estimated disbursements in respect of existing legal or constructive obligations at the reporting date.

Revenue recognition (IAS 18)

Revenue is measured at the fair value of the consideration received for the sale of the products or services.

Sales of products

Revenue from product sales is recorded when all the following conditions are met:

- the significant risks and rewards related to ownership of the assets have been transferred to the buyer;
- effective control of the assets involved in the transaction and continuing managerial involvement to the degree usually associated with ownership are discontinued;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits deriving from the sale will flow to the Group;
- the costs incurred or to be incurred can be measured reliably.

In cases where the nature and measurement of the seller involvement may mean that the risks and rewards relating to ownership may not, in fact, be transferred, revenue recognition is deferred to the date on which said transfer may be considered to have taken place.

Provision of services

Revenue from services is only recognised when the results of the transaction can be reliably estimated, with reference to the stage of completion of the transaction at the reporting date.
The results of a transaction can be reliably estimated when all the following conditions are met:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits of the transaction will flow to the Group;
- the stage of completion of the transaction at the reporting date can be reliably measured;
- the costs incurred for the transaction and the costs to be incurred to complete it can be reliably measured.

Interest

Interest is recognised on a pro-rata temporis basis, based on the contractual interest rate or the effective interest rate in the case of application of the amortized cost method.

Commissions

Commissions for service revenues are recognised on the basis of the existence of contractual agreements, in the period in which said services have been provided.

Royalties

Royalties are recorded on an accruals basis, according to the provisions of the contents of the related agreement.

Dividends

Dividends are recorded at the time the right to collection arises, which normally corresponds to the shareholders' meeting resolution on the distribution of dividends.

Financial guarantees

Financial guarantees issued are initially recognised at fair value. If the financial guarantee has been issued in an arm's length transaction to a Group's third party, the fair value equals the consideration agreed, unless there is evidence to the contrary. Subsequently, the value of the guarantee is equal to the higher amount of: (I) the amount determined in accordance with IAS 37; (II) the amount initially recognised, redetermined in accordance with the method of cumulative amortization recognised (IAS 18). Guarantees received that are excluded from the scope of application of IAS 39 and IFRS 4 are accounted for in accordance with paragraphs 10-12 of IAS 8, i.e. through the recognition of the relative cost in the income statement.

Earnings per share (IAS 33)

Basic earnings per share are determined on the basis of the ratio of profit for the period attributable to Shareholders of the Parent Company's ordinary shares to the weighted average number of ordinary shares outstanding in the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to take account of all potential ordinary shares, deriving, for example, from the possibility of exercising stock options assigned, which may have a dilutive effect.

Use of estimates

Preparation of the condensed half-yearly consolidated financial statements and the notes, under IFRS requires management to use estimates and assumptions that affect the carrying amount of statement of financial position assets and liabilities and information relating to the contingent assets and liabilities.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may, therefore, differ from said estimates. The estimates and assumptions are reviewed periodically and the effects of each change made to them are reflected in the income statement in the period in which the estimate revision takes place if said revision only has an impact on said period, or also in subsequent periods if the revision has an effect on both the current period and future periods.
The main items in the financial statements affected by this estimate process are goodwill, deferred taxes, the fair value of financial instruments and the provision for risks and charges.
Please refer to the specific areas for more details.

Main sources of uncertainty in making financial statement estimates

The critical valuation processes and key assumptions used by the Group in the IFRS application process are summarised below.

Discretional choices in the accounting standard application process

Available-for-sale financial assets in the portfolio

Available-for-sale financial assets in the portfolio are tested for impairment (evaluation of impairment losses dependent on the deterioration in issuers' solvency) each time events occur which suggest that the investment has suffered impairment.
The evaluation process is structured into two phases:
- identification of situations of deterioration in issuers' solvency and identification of impaired assets;

- quantification of losses associated to impairment situations. These losses are compared with the negative difference between the current market value (or, for unlisted instruments, the present value - at current rates of return on investments with similar levels of risk - of expected cash flows) of impaired assets and their book value.

The criteria applied by the Group to identify impairment are differentiated between debt securities and equities.

Impairment of debt securities

Objective evidence that a debt security has suffered impairment can be traced to the list of loss events shown in IAS 39.59.

In the event of bonds with a rating, the deterioration of the creditworthiness of the issuer is evaluated; in this regard, it is deemed that bonds that undergo impairment which cause them to fall into rating categories below the “investment grade” threshold are, reasonably, subject to impairment while, in other cases, deterioration in the creditworthiness is instead to be assessed jointly with the other available factors.

In the case of bonds, the availability of specialised sources of information is considered (e.g. investment indications supplied by financial institutions, rating reports, etc.) or information available on “info-providers” (e.g. Bloomberg, Reuters, etc.), through which the relevance of the issuer’s deterioration is determined more accurately.

In the absence of said elements, where possible, reference is made to the listing of bonds similar to those being examined in terms of both financial characteristics and the issuer’s standing.

In the event of financial assets recorded at amortized cost, the impairment test is, in contrast, targeted at establishing whether the estimated value of future cash flows, discounted at the original effective interest rate, is lower than the asset’s book value. If the present value, calculated at the original rate, of the new expected cash flows is lower than the book value, an impairment loss must be recorded in the income statement.

In the event of investments recognised at cost, the impairment test is based on the estimate of the present value of the cash flows at the current market rate and the impairment test assumes the form of a “discounted cash flow test”.

In this regard, it should be noted that the impairment test on debt instruments must be based on losses already actually incurred (incurred loss model) and not simply on expected losses.

Impairment testing according to the incurred loss model always assumes a cash flow forecast, but said forecast must be based exclusively on past events and not on expected events that attest to the existence of actual deterioration in the quality of credit and, therefore, of the reduction in expected cash flows (both for losses in principal and interest).

Impairment of equities

With reference to equities classified as Available-for-sale, it is reasonable to assume that shares in the portfolio are to be impaired before bonds issued by the same issuer company; therefore, indicators of the impairment of debt securities issued by a company, i.e. the impairment of said debt securities, are in themselves strong indicators of the impairment of the equities of said company.

More generally speaking, to establish whether there is evidence of impairment of an equity instrument, as well as the presence of the events indicated in IAS 39.59, and the considerations shown previously where applicable, the following two events are to be considered in particular (IAS 39.61):

- significant changes with adverse effects relating to technologies, markets, economic or legal environment relating to the issuer, which indicate that the cost of the investment can no longer be recovered;
- a significant or prolonged decline in the fair value of the investment below its cost.
-

In particular, in quantitative terms, if the fair value of the security is 30% lower than the book value or the time period of a situation of fair value lower than the book value is above 12 months, the company will conduct an analysis of the fundamental aspects of the investments and, in general, of the conditions that negatively impacted the market performance of the investment so as to keep the investment closely monitored.

By contrast, if one of the two parameters shown below is verified, impairment will automatically have to be recorded:

- Fair value of the security 75% lower than the initially recognised book value;
- persistence of the situation of fair value lower than the initially recognised book value for a time period of more than 20 months.

In relation to investments in equity instruments, the need to record impairment also considers, on an individual basis or jointly, the following situations:

- the fair value of the investment is significantly below the acquisition cost or, in any case, is considerably lower than that of similar companies in the same sector;
- company management is not considered of an adequate standing and, in any case, capable of ensuring a recovery in prices;
- a downgrading of the credit rating since the acquisition date is recorded;
- a significant decrease in profits, of cash flows or in the net financial position of the issuer from the acquisition date;
- a reduction or interruption in the distribution of dividends is recorded;
- an active market for the bonds issued disappears;
- changes are verified in the legislative, economic and technological context of the issuer which have an adverse impact on the profit, equity and financial situation of the same;
- negative prospects exist in the market, sector or geographical area of the issuer.

For available-for-sale financial assets, the impairment test is targeted at establishing whether the variation between the acquisition cost and the present fair value is recoverable or if, on the contrary, an impairment of the asset must be recorded (Fair Value impairment test).
In the case in which there is evidence of impairment, it is necessary to calculate the impairment loss to be booked in the income statement coinciding with the accumulated loss in the statement of financial position without using additional estimates.

Recoverable value of non-current assets (including goodwill)

Non-current assets include property, plant and equipment and intangible assets (including goodwill), equity investments and other financial assets. Management periodically reviews the book value of the non-current assets held and used and the assets which must be disposed of, when facts and circumstances request said revision. This activity is performed by using estimates of expected future cash flows from the use or sale of the asset and adequate discount rates for the calculation of the present value. When the book value of a non-current asset has undergone impairment, the Group records an impairment loss for the value of the excess of the book value of the asset over its recoverable value through use or sale of the same, determined with reference to the Group's more recent plans.

Owing to the current economic-financial crisis at national and international macroeconomic level which has generated risks of impairment of significant assets belonging to the Parent Company and its Group, for the purposes of drafting the half-yearly consolidated financial report as at 31 March 2017, and in particular, in performing the impairment tests, forecasts of the expected trend in the next year were taken into consideration, as well as the effects of uncertainties identified with respect to the timing, originally scheduled, of the process of disposal of investments at fair values.

Realisability of deferred tax assets

As at 31 March 2017, the Group has deferred tax assets deriving from deductible temporary differences.
Management recorded the value of deferred tax assets up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered.
The forecasts are based on taxable income that can be generated with reasonable certainty in light of budget results and the forecasts for subsequent years which consider the reasonable expectation of implementation of the planned transactions.

More specifically, it should be noted that the Group did not set aside any deferred tax assets on tax losses, unless within the limits of the amount recorded under current taxes considered recoverable in the year through the fee due in accordance with the provisions of the tax consolidation contract.
For further details, please refer to note no. 10 of the condensed half-yearly consolidated financial statements.

Loans and receivables

For loans and receivables and other assets evaluations are regularly performed in order to verify the existence of objective evidence that these have been impaired. In particular, in measuring receivables, account is taken of creditor solvency and of the characteristics of credit risk which is indicative of the individual debtor's payment capacity. Any impairment is recorded as cost in the income statement for the year.
Non-current loans and receivables, trade receivables and other receivables originated by the Group fall into this category. The estimate of the allowance for impairment is based on expected losses by the Group, determined on the basis of past experience with similar receivables, losses and collections.

Contingent liabilities

The Group is involved in legal disputes in relation to which, considering the inherent uncertainties, it is difficult to predict with any certainty the disbursement involved with these disputes. Legal proceedings and disputes derive from complex legal problems, which are subject to a different degree of uncertainty, including facts and circumstances concerning each case. The Group identifies a liability in respect of these disputes when it believes that the dispute will result in a cash outlay and when the amount of the resulting losses can be reasonably estimated. In the event in which a cash outlay becomes possible but the amount cannot be determined, this is reported in the notes to the condensed half-yearly consolidated financial statements.

Changes in accounting estimates

Pursuant to IAS 8, changes in accounting estimates are booked prospectively in the income statement starting from the year in which they are adopted. It should be noted that the period 1 October 2016-31 March 2017 was not characterised by changes to the estimate criteria already applied to draft the financial statements as at 30 September 2016.

Changes in IFRS, amendments and interpretations

Standards, amendments and interpretations in force from 1 October 2016

The following standards, amendments and interpretations were applied for the first time by the Group from 1 October 2016:

- Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations - (published on 6 May 2014: relating to the accounting of interests acquired in a joint venture where the activity acquired constitutes a business. The adoption of these amendments had no effect on the Group's consolidated financial statements.
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization - (published on 12 May 2014): according to which a revenue-based amortization criteria is normally considered inappropriate, in that revenue generated by an initiative that includes the use of the asset being amortized or depreciated generally reflects factors other than mere consumption of the economic benefits of that asset, a requirement which vice versa is required for amortization/depreciation. The adoption of these amendments had no effect on the Group's consolidated financial statements.
- Amendment to IAS 1 - Disclosure Initiative (published on 18 December 2014) -: the aim of the amendments is to provide clarification on elements of the disclosure that could be perceived as inhibiting the clear, intelligible preparation of financial statements. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- On 25 September 2014 the IASB published the - Annual Improvements to IFRSs: 2012-2014 Cycle - (including: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosure and IAS 19 - Employee Benefits), which partially supplement the pre-existing standards. The adoption of these amendments had no effect on the Group's consolidated financial statements.

Standards, amendments and interpretations not yet applicable and not adopted early by the Group

The Group has not adopted the following new and amended Standards, issued but not yet in force:

- IFRS 15 - Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications published on 12 April 2016), which is due to replace IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model which will apply to all contracts signed with customers except those covered by the scope of other standards such as leases, insurance contracts and financial instruments. The key steps in recording revenue according to the new model are:
    - identification of the contract with the customer;
    - identification of the contract's performance obligations;
    - pricing;
    - allocation of the price to the contract's performance obligations;
    - revenue recognition criteria when the entity satisfies every performance obligation.

  The standard is applicable from 1 January 2018 but early application is permitted. The Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on 12 April 2016, are still awaiting endorsement by the European Union.

  The directors expect that the adoption of IFRS 15 could have an impact on amounts recognised as revenue and on the related disclosures in the Group's consolidated financial statements. However, a reasonable estimate of the effects cannot be provided until the Group completes a detailed analysis of the contracts with customers.

- Final version of IFRS 9 - Financial Instruments (published on 24 July 2014). The document incorporates the results of phases relating to Classification and Measurement, Impairment and Hedge Accounting of the IASB project to replace IAS 39:
    - introduces new criteria for the classification and measurement of financial assets and liabilities;
    - with regard to the impairment model, the new standard requires that expected credit losses are estimated on the basis of the expected losses model (and not on the incurred losses model used by IAS 39), using supporting information available without unreasonable cost or effort, including historical, current and forecast data;
    - introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, change in the accounting method for forward and option contracts when included in a hedge accounting relationship, changes to hedge efficiency testing)

  The new standard, which replaces previous versions of IFRS 9, must be applied to annual periods beginning on or after 1 January 2018.

  The directors expect that the adoption of IFRS 9 could have an impact on amounts and on disclosures provided in the Group's consolidated financial statements. However, a reasonable estimate of the effects cannot be provided until the Group completes a detailed analysis.

Standards, amendments and interpretations not yet endorsed by the European Union

As at the reporting date of these condensed half-yearly consolidated financial statements, the competent bodies of the European Union have still not completed the endorsement process necessary for the adoption of the standards and amendments described below.

- IFRS 16 - Leases (published on 13 January 2016), due to replace IAS 17 - Leases as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of "lease" and introduces a criterion based on the right of use of an asset to distinguish lease contracts from service contracts, as distinguishing features adopting the following: identification of the asset, the right to replace the asset, the right to essentially achieve all economic benefits from use of the asset and the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, envisaging recognition of the asset covered by the lease (including operating leases) under assets with a balancing entry of a financial payable, also offering the option of non-recognition as leases of contracts involving low-value assets and leases with a contractual term of 12 months or less. Vice versa, the standard does not include significant changes for lessors.
  The standard is applicable from 1 January 2019 but early application is permitted, only for companies that opt for early adoption of IFRS 15 - Revenue from Contracts with Customers.
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses (published on 19 January 2016). The document aims to provide clarification on the recognition of deferred tax assets on unrealised losses in certain circumstances and based on estimated taxable income for future years. The amendments apply from 1 January 2017 but early adoption is permitted.
- Amendment to IAS 7 - Disclosure Initiative (published on 29 January 2016). The document aims to provide clarification to improve the disclosure of financial liabilities. In particular, the amendments require a disclosure that allows financial statements users to understand the changes in liabilities deriving from financing transactions. The amendments apply from 1 January 2017 but early application is permitted. The presentation of comparative data from previous years is not required.
- Amendment to IFRS 2 "Classification and Measurement of share-based payment transactions (published on 20 June 2016)", which contains a number of clarifications on accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and accounting for the changes in terms and conditions of a share-based payment that amends the classification from cash-settled to equity-settled.
- Document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on 12 September 2016). For entities whose business is predominantly insurance, the amendments aim to remove fears deriving from application of the new IFRS 9 to financial assets, before the IASB replaces the current IFRS 4 with the new standard now being prepared, based on which financial liabilities are measured instead.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard) which partially supplement the pre-existing standards.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The interpretation aims to provide guidelines for transactions carried out in foreign currency where advances or non-monetary payments on account are recognised in the financial statements before recognition of the related asset, cost or revenue. This document offers instructions on how an entity is required to determine the date of a transaction, and consequently the spot rate to be used for transactions in foreign currency for which payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018 but early application is permitted.
- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These amendments clarify transfers of a property to or from investment property. In particular, an entity must reclassify a property between, or from, investment property only when there is evidence that there has been a change in use of the property. This change must be traceable to a specific event that has occurred and must not, therefore, be limited to a change of intention by the entity's management. These amendments are applicable from 1 January 2018 but early application is permitted.
- Amendment to IFRS 10 and to IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). The document was published to solve the current conflict between IAS 28 and IFRS 10 in relation to measuring the gains or losses deriving

from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a percentage of the latter's share capital. At present, the IASB has suspended the application of this amendment.

The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements, except for IFRS 16, for which it is not possible however to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

3. Consolidation scope

The condensed half-yearly consolidated financial statements include Mittel S.p.A. and its direct and indirect subsidiaries, including in the consolidation scope - as specifically provided for by the IFRS - also companies operating in business sectors dissimilar to those to which the Parent Company belongs.

The following are considered subsidiaries: companies in which Mittel is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities.

Control only exists when the following elements are simultaneously present:
- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The consolidation scope does not include structured entities for which the requirements of effective control may be met, including regardless of the existence of an equity interest.
Entities in which, on a contractual basis, control is shared between the Parent Company, directly or indirectly, and one or more other entities, or when decisions about the relevant activities require the unanimous consent of the parties sharing control, are considered jointly controlled.

Companies in which Mittel, directly or indirectly, holds at least 20% of voting rights (including therein "potential" voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders' agreements, are considered associates, i.e. subject to a significant influence.
Any interests exceeding 20%, however for a small amount, are excluded from the consolidation scope and classified under available-for-sale assets, given that Mittel directly or indirectly, exclusively holds rights over a portion of the profits from the investments, has no access to the management policies and can exercise governance rights limited to the protection of its own equity interests.

Lastly, the consolidation scope excludes non-investee companies for which pledged shares have been received with voting rights exceeding 20%, in consideration of the purpose of said instrument which is the protection of the credit granted and not the exercising of control and management of the financial and economic policies, in order to enjoy the economic benefits deriving from them.

Compared to the situation as at 30 September 2016, the main change in the consolidation scope concerns the acquisition of the Zaffiro Group, in relation to which reference should be made to the detailed report in the specific paragraph of these notes.

Furthermore, in October, the debt advisory business unit of Mittel Advisory Debt and Grant S.p.A. was contributed to Ethica & Mittel Advisory Debt S.r.l. (formerly Cerca S.r.l.), with a similar contribution from a third-party partner with a 49% interest. The change in percentage interest, however, did not have a significant impact on the consolidated financial statements.

Lastly, as extensively described in the Directors' Report on Operations (to which reference should be made), December saw the loss of significant influence over the investee Castello SGR S.p.A., which led to the investee's deconsolidation (previously consolidated at equity).

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 31 March 2017:

	Company name	Office / Country	Type of relationship (a)	Consolidation method	Investment relationship			
					Participating company	Direct interest %	Direct availability of votes % (b)	Total interest %
Parent Company								
	Mittel S.p.A..							
A. Companies fully consolidated								
Direct subsidiaries:								
1	CAD Immobiliare S.r.l.	Milan	(1)	Full	Mittel S.p.A. - MII S.r.l.	100,00%	100,00%	100,00%
2	Earchimede S.p.A.	Milan	(1)	Full	Mittel S.p.A.	85,01%	85,01%	85,01%
3	Ghea S.r.l.	Milan	(1)	Full	Mittel S.p.A.	51,00%	51,00%	51,00%
4	Locaeffe S.r.l. in liquidation	Brescia	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
5	Markfactor S.r.l. in liquidation	Brescia	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
6	Mittel Advisory Debt and Grant S.p.A.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
7	Mittel Advisory S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
8	Mittel Investimenti Immobiliari S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
9	Zorro S.r.l.	Milan	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
Indirect subsidiaries:								
10	Breme S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
11	Esse Ventuno S.r.l. in liquidation	Milan	(1)	Full	MII S.r.l.	90,00%	90,00%	90,00%
12	Ethica & Mittel Debt Advisory S.r.l. (former Cerca S.r.l.)	Milan	(1)	Full	Mittel Advisory Debt and Grant	51,00%	51,00%	51,00%
13	FD33 S.r.l.	Milan	(1)	Full	Earchimede S.p.A.	100,00%	100,00%	85,01%
14	Fede S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
15	Gamma Tre S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
16	Iniziative Nord Milano S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
17	Lucianita S.r.l.	Milan	(1)	Full	MII S.r.l.	51,00%	51,00%	51,00%
18	MiVa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
19	Regina S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
20	Santarosa S.r.l.	Milan	(1)	Full	MII S.r.l.	60,00%	60,00%	60,00%
21	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A. - FD33 S.r.l.	66,66%	66,66%	56,67%
22	Fashion District Roma S.r.l. in liquidation	Brescia	(1)	Full	Fashion District Group	100,00%	100,00%	56,67%
23	Loft S.r.l.	Brescia	(1)	Full	Fashion District Group	100,00%	100,00%	56,67%
24	Parco Mediterraneo S.r.l.	Brescia	(1)	Full	FD33 – Fashion District G.	100,00%	100,00%	59,50%
25	Gruppo Zaffiro S.r.l.	Martignacco (UD)	(1)	Full	Zorro S.r.l.	100,00%	100,00%	75,00%
26	Zaffiro Ancona S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
27	Zaffiro Ancona Uno S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
28	Zaffiro Fagagna S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
29	Zaffiro Fermo S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
30	Zaffiro Magnano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
31	Zaffiro Martignacco S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
32	Zaffiro Montesicuro S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
33	Zaffiro Rivignano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
34	Zaffiro San Lorenzo S.r.l.	San Lorenzo in Campo (PU)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
35	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
36	Zaffiro Tarcento S.r.l.	Tarcento (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
37	Zaffiro Urbania S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
B. Companies consolidated using the equity method								
Direct associates:								
1	Liberata S.p.A.	Milan	(6)	Equity	Mittel S.p.A.	27,00%	27,00%	27,00%
2	Bios S.p.A.	Milan	(4)	Equity	Mittel S.p.A.	50,00%	50,00%	50,00%
3	Tower 6 Bis S.à r.l.	Lussembourg	(4)	Equity	Mittel S.p.A.	49,00%	49,00%	49,00%
4	Mit.Fin. S.p.A.	Milan	(6)	Equity	Mittel S.p.A.	30,00%	30,00%	30,00%
5	Chase Mittel Capital Holding II NV	Dutch Antilles	(6)	Cost (c)	Mittel S.p.A.	21,00%	21,00%	21,00%
Indirect associates:								
7	Mittel Generale Investimenti S.r.l.	Milan	(6)	Equity	Liberata S.p.A.	100,00%	100,00%	27,00%
8	Superpartes S.p.A.	Brescia	(7)	Equity	Earchimede S.p.A.	11,89%	11,89%	10,11%

(a) Type of relationship:
1 – majority of voting rights at ordinary shareholders' meeting;
2 – dominant influence at ordinary shareholders' meeting;
3 – agreements with other shareholders;
4 – joint control;
5 – other forms of control which, pursuant to IFRS 10, simultaneously attribute availability of the power of governance over the relevant activities and exposure to the variability of the resultant returns;
6 – company subject to significant influence;
7 - company subject to significant influence based on agreements with other shareholders which regulate their governance and administration with binding veto power over significant specific matters;
(b) Availability of votes at ordinary shareholders' meeting, distinguishing between actual and potential.
(c) The investment in Chase Mittel Capital Holding NV which is inactive and irrelevant is maintained at cost given that the valuation using the equity method is approximated by the cost.

Significant valuations and assumptions for determining the consolidation scope

As stated previously, the following are considered subsidiaries: companies in which Mittel S.p.A. is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities. Control only exists when the following elements are simultaneously present:

- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

More specifically, the Group considers the following factors when assessing the existence of control:

- the purpose and the structure of the investee, in order to identify the entity's objectives, its relevant activities or those that significantly affect returns, and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to direct the relevant activities;
- the exposure to the variability of the returns of the investee, in order to evaluate whether the return received by the Group may potentially vary based on the results achieved by the investee.

Furthermore, in order to assess the existence of control, the potential principal-agent relations are taken into

consideration; to assess whether the Group operates as a principal or an agent, it takes into consideration the following factors:
- decision-making power over the relevant activities of the investee;
- the rights held by other entities;
- the remuneration the Group is entitled to;
- the Group's exposure to the variability of the returns deriving from any investment held in the investee.

IFRS 10 identifies only activities that significantly affect the returns of the investee as "relevant activities". In general terms, when the relevant activities are managed through voting rights, the following factors provide evidence of control:
- ownership, directly or indirectly through its subsidiaries, of more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less than half, of voting rights that can be exercised at shareholders' meetings and the practical ability to unilaterally govern the relevant activities through: power over more than half of the voting rights by virtue of an agreement with other investors; or the power to determine the financial and operating policies of the entity under a statute or an agreement; or the power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or the power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

In order to exercise this power, the Group's rights over the investee must be substantive; to be substantive, these rights must be practically exercisable when the decisions about relevant activities must be taken.
The existence and effect of potential voting rights, where substantive, are taken into consideration when assessing whether the power to direct the financial and management policies of another entity exists or not.
No situations are recognised in which the Group is in a condition to exercise "de facto control" over an entity which, despite the absence of the majority of voting rights, demonstrates the ownership of such rights as such to allow the unidirectional management of the investee's relevant activities.
Under subsidiaries, no "structured entities" are identified in which the voting rights do not represent key elements for the evaluation of control, including therein vehicle companies (SPE/SPV) and investment funds.

As at 31 March 2017, it should be noted that the Group owns the majority of the voting rights in all operating entities subject to line-by-line consolidation.
It should also be pointed out that there are no cases in which:
- control derives from the ownership of potential voting rights and/or other substantive rights;
- the Group holds the majority of voting rights and is not exposed to the variability of returns and is able to influence them

The investment funds managed by management companies subject to significant influence of the Group are considered subsidiaries if the Group has the "power", is significantly exposed to the variability of returns and where third party investors do not have the rights to remove the asset management company.
In this regard, it is presumed, unless there is evidence to the contrary, that the exposure to the variability of returns is significant if the Group is exposed to the same for at least 30% due to the subscription of units and due to the receipt of commissions for the management of the fund's assets.

The investment funds managed by third party companies are considered controlled if the Group is significantly exposed to the variability of returns and at the same time holds a unilateral right to remove the management company.
In this regard, it is presumed, unless there is evidence to the contrary, that the exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund's units.

Significant valuations and assumptions for establishing whether joint control or a significant influence exists

Entities for which, on a contractual basis, control is shared between the Group and one or more other entities, or when decisions about the relevant activities require the unanimous consent of all the parties sharing control, are considered joint ventures.

An associate is an entity in which the investor exercises a significant influence and which is neither a wholly-owned subsidiary nor a joint venture.
Entities in which the Group holds at least 20% of voting rights (including therein “potential” voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders’ agreements, are considered to be companies subject to a significant influence (associates).
Significant influence is presumed to exist when the investor owns, directly or indirectly, at least 20% of the capital of another company, or is able, also through shareholder agreements, to exercise a significant influence through:

- representation in the company’s governing body;
- participation in the policy definition process, including therein participation in decisions relating to dividends or other distributions;
- the existence of significant transactions;
- the exchange of managerial personnel;
- the supply of essential technical information.

Any interests exceeding 20% in which the Group exclusively holds equity rights over a portion of the profits from the investments, has no access to the management policies and can exercise governance rights limited to the protection of its own equity interests, are not considered subject to significant influence.

Changes in the consolidation scope

As described previously, compared to the situation as at 30 September 2016, the main changes in the consolidation scope concern:

- the acquisition of the Zaffiro Group, in relation to which reference should be made to the detailed information provided below;
- the contribution of the debt advisory business unit of Mittel Advisory Debt and Grant S.p.A. to Ethica & Mittel Advisory Debt S.r.l. (formerly Cerca S.r.l.), with a similar contribution from a third-party partner with a 49% interest. The resulting change in percentage interest, however, had no significant impact on the consolidated financial statements;
- as described extensively in the Report on Operations, the loss of significant influence over the investee Castello SGR S.p.A., which led to the investee’s deconsolidation (previously consolidated at equity).

Business combinations: acquisition of the entire share capital of the group headed by Gruppo Zaffiro S.r.l.

As described in other sections of this half-year financial report (to which reference should be made), in November 2016, consistent with the Plan guidelines, an acquisition was completed with a total investment of around EUR 21,5 million (including a bridge loan for EUR 8,0 million) for 75% of Gruppo Zaffiro S.r.l., a major player in the Italian healthcare industry.

Gruppo Zaffiro S.r.l. and its wholly-owned direct subsidiaries - Zaffiro Fagagna S.r.l., Zaffiro Magnano S.r.l., Zaffiro Martignacco S.r.l., Zaffiro Tarcento S.r.l., Zaffiro Ancona S.r.l., Zaffiro Montesicuro S.r.l., Zaffiro San Lorenzo S.r.l., Zaffiro Urbania S.r.l., Zaffiro Ancona Uno S.r.l., Zaffiro Fermo S.r.l., Zaffiro Rivignano S.r.l. and Zaffiro Sviluppo S.r.l. - were included in the consolidation scope from the date of acquisition of total control of Gruppo Zaffiro S.r.l. (9 November 2016) through a special purpose vehicle Zorro S.r.l., a 75% investee of the Mittel Group.

The acquisition of Gruppo Zaffiro S.r.l. by Zorro S.r.l. was completed at a basic fixed price of EUR 22,3 million with payment on finalisation of the transaction. A deferred amount due in the short term is also envisaged, the fair value of which as at the acquisition date was estimated at EUR 5,0 million. Lastly, against contractual agreements that link amounts due to the seller to future profit of the group of companies acquired, a potential payment was envisaged of an additional non-recurring component, the fair value of which as at the acquisition date was EUR 7,4 million.

As a result of the acquisition, the income statement figures as at 31 March 2017 of the Mittel Group include the effects of consolidation of the group acquired for the five-month period between the date control was acquired and the closing date of the half-year.

In order to provide the necessary disclosure on comparative data for the half-year, the consolidated figures below relate to the equity, financial and economic situation of Gruppo Zaffiro S.r.l. from the acquisition date to 31 March 2017:

Amounts in thousands of Euro	**31.03.2017**
Intangible assets	36
Property, plant and equipment	1.996
Sundry receivables and other assets	775
Deferred tax assets	93
Total non-current assets	**2.900**
Current tax assets	792
Sundry receivables and other assets	2.094
Cash and cash equivalents	1.745
Total current assets	**4.631**
Financial payables	(854)
Provisions for personnel	(1.545)
Deferred tax liabilities	(30)
Provisions for risks and charges	(184)
Sundry payables and other liabilities	(1)
Total non-current liabilities	**(2.614)**
Financial payables	(3.259)
Current tax liabilities	(237)
Sundry payables and other liabilities	(6.514)
Total current liabilities	**(10.011)**
Net assets(liabilities) as at 31 March 2017	**(5.094)**

Income Statement from the 1st of November 2016 to the 31st of March 2017	
Revenue	10.294
Other income	69
Variations in property inventories	7
Costs for purchases	(1.022)
Costs for services	(3.086)
Personnel costs	(4.838)
Other costs	(117)
Gross operating margin (EBITDA)	**1.307**
Amortization and value adjustments to intangible assets	(297)
Allocations to the provision for risks	(5)
Operating result (EBIT)	**1.005**
Financial income	-
Financial expenses	(227)
Income (loss) before taxes	**778**
Income taxes	(274)
Profit (loss) for the period (5 mounths)	**504**

In the five-month period between the acquisition date and 31 March 2017, the Zaffiro Group contributed around EUR 0,5 million to the consolidated net result of the Mittel Group and EUR 1,3 million to consolidated EBITDA.

Acquisition of control of Gruppo Zaffiro S.r.l. led to the provisional recognition of goodwill, in compliance with IFRS 3 and pending completion of the purchase price allocation process within 12 months of the acquisition, equal to the positive difference between the price paid, plus the best estimate at the acquisition date of the fair value of the potential consideration contractually agreed with the seller, and the net value of the amounts at the acquisition date of assets and liabilities taken over by the Group as part of the business combination.

A prime component of the goodwill, amounting to approximately EUR 28,0 million, refers to the positive difference between the spot price paid (EUR 22,3 million) and the net value of the amounts at the acquisition date of assets and liabilities taken over by the Group as part of the business combination (negative for EUR 5,6 million).

The additional component of goodwill, totalling EUR 12,4 million, is attributable to the best estimate at the acquisition date of the fair value of the potential deferred price contractually agreed with the seller, and is recognised for EUR 5,0 million as a balancing entry to other current financial liabilities (as associated with the price adjustment due for payment in the short term) and the remaining EUR 7,4 million as a balancing entry to other non-current financial liabilities (against contractual agreements that link amounts due to the seller to future profit of the group of companies acquired).

In order to provide adequate information, details of the net assets acquired (book values), the calculation of goodwill recognised as at the reference date of 9 November 2016 and the related calculation of goodwill emerging in the consolidated financial statements of the Mittel Group are as follows:

Statement of financial position of Zaffiro Group

Amounts in thousands of Euro	**Amounts as at 31.03.2017**	**09.11.2016**
Intangible assets	36	39
Property, plant and equipment	1.996	2.111
Investments accounted for using the equity method		
Financial receivables		
Other financial assets		
Sundry receivables and other assets	775	24
Deferred tax assets	93	33
Total non-current assets	**2.900**	**2.207**
Property inventories		
Financial receivables		
Other financial assets		
Current tax assets	792	52
Sundry receivables and other assets	2.094	1.951
Cash and cash equivalents	1.745	934
Total current assets	**4.631**	**2.937**
Financial payables	(854)	(581)
Provisions for personnel	(1.545)	(1.431)
Deferred tax liabilities	(30)	(32)
Provisions for risks and charges	(184)	(201)
Sundry payables and other liabilities	(1)	(1)
Total non-current liabilities	**(2.614)**	**(2.247)**
Financial payables	(3.259)	(5.851)
Current tax liabilities	(237)	(40)
Sundry payables and other liabilities	(6.514)	(2.641)
Total current liabilities	**(10.011)**	**(8.532)**
Net assets(liabilities)	**(5.094)**	**(5.635)**
Acquisition price:		
Baseline price transferred with immediate settlement		22.323
Baseline price with deferred settlement		5.000
Potential earn-out price with deferred settlement		7.448
Fair value of the cost of the business combination as at the acquisition date		**34.771**
Goodwill from the business combination		**40.407**

Note that the reference book values of the Zaffiro Group business combination correspond with net assets (liabilities) as at 31 October 2016, as the values as at finalisation of the transaction (9 November 2016) cannot be calculated, also taking into consideration the immaterial nature of the Gruppo Zaffiro S.r.l. assets in the first 9 days of November 2016.

Based on IFRS 3, initial recognition of a business combination requires the identification and measurement of the fair value to be assigned to identifiable assets, liabilities and potential liabilities of the acquisition and the cost of the combination.
For the purpose of the condensed half-yearly consolidated financial statements as at 31 March 2017, the initial recognition of the business combination relating to Gruppo Zaffiro S.r.l. was calculated provisionally as, at present, the fair values to be assigned to the assets, liabilities or potential liabilities of the business combination cannot yet be calculated. The Mittel Group expects that the provisional values will be adjusted after initial recognition of the business combination has been completed, based on the related reference fair values, within twelve months of the acquisition date.
Therefore no impairment testing was performed, which will be finalised by the end of the financial year after final recognition of the business combination.

A breakdown is provided below of the liquidity used directly for the acquisition and for associated transactions:

Liquidity associated with the business combination:	
Amount paid in cash	(22.323)
Costs associated with the acquisition	(461)
Cash and cash equivalents acquired	934
Net liquidity used for the acquisition	**(21.851)**
Cash flows transferred to repay the Gruppo Zaffiro S.r.l. shareholder loan to the buyer	(2.500)
Liquidity flows associated with the business combination	**(24.351)**

Additional information on the subsidiaries with significant non-controlling interests:

With reference to the information required by IFRS 12 aimed at illustrating the interests that non-controlling interests have in the Group’s activities and cash flows, the subsidiaries with significant non-controlling interests are considered to be represented by investments with non-controlling interests of greater than 10% of the relative higher value.
For each of the subsidiaries with significant non-controlling interests a summary is provided below of the economic and financial data of the subsidiary as at 31 March 2017 and the information relating to the share of the interests held by non-controlling shareholders and the percentage of voting rights.

The aforementioned economic and equity data derive from the accounting situations as at 31 March 2017 of the subsidiaries with significant non-controlling interests, appropriately reclassified and adjusted to take account of the consolidation requirements and, where necessary, to bring them into line with the Group accounting standards for the purpose of the consolidated half-year financial statements as at 31 March 2017:

Subsidiaries:	Ghea S.r.l.	Lucianita S.r.l.	Esse Ventuno S.r.l.	Santarosa S.r.l.	Earchimede S.p.A.	FD 33 S.r.l.	Fashion District Group in liq.	Fashion District Roma in liq.	LOFT Srl	Parco Mediterraneo S.r.l.	Ethica&Mittel Debt Advisory S.r.l.	Zaffiro Group	Zorro S.r.l.
Gross operating margin (EBITDA)	**(22)**	**257**	**10**	**109**	**(77)**	**(7)**	**(106)**	**(10)**	**(16)**	**(66)**	**46**	**1.307**	**(536)**
of which:													
Revenue	-	*2.424*	*14*	*2.267*	-	-	*13*	-	-	-	*540*	*10.294*	*4*
Variations in property inventories	-	*(1.974)*	-	*(1.905)*	-	-	-	-	-	-	-	-	-
Costs for purchases	-	*(113)*	-	*(94)*	-	-	-	-	-	-	-	*(1.015)*	-
Costs for services	*(20)*	*(78)*	*(3)*	*(134)*	*(63)*	*(7)*	*(63)*	*(9)*	*(13)*	*(15)*	*(168)*	*(3.086)*	*(538)*
Personnel costs	-	-	-	-	-	-	*(37)*	-	*(1)*	-	*(324)*	*(4.838)*	-
Operating result (EBIT)	**(22)**	**257**	**10**	**109**	**(322)**	**(7)**	**(106)**	**(10)**	**(16)**	**(66)**	**44**	**1.005**	**(536)**
of which:													
Amortizations	-	-	-	-	-	-	-	-	-	-	*(1)*	*(297)*	-
Allocations	-	-	-	-	-	-	-	-	-	-	-	*(5)*	-
Value adjustments to financial assets	-	-	-	-	*(245)*	-	-	-	-	-	-	-	-
Profit (loss) from non-recurring transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial income	816	-	5	-	15	8	89	4	-	-	-	-	79
Financial expenses	(451)	(23)	-	(390)	(8)	-	(3)	-	(5)	(63)	2	(227)	(230)
Income (loss) before taxes	**342**	**234**	**15**	**(281)**	**(314)**	**1**	**(21)**	**(5)**	**(21)**	**(128)**	**47**	**778**	**(687)**
Income taxes	(152)	(49)	(4)	69	14	(1)	(31)	(61)	3	4	(15)	(274)	18
Profit (loss) for the period	**191**	**186**	**12**	**(212)**	**(301)**	**()**	**(52)**	**(67)**	**(18)**	**(125)**	**32**	**504**	**(669)**
of which Income (loss) pertaining to non-controlling interests	93	91	1	(85)	(45)	()	(23)	(29)	(8)	(50)	16	126	(167)
Non-current assets	**19.866**	**-**	**-**	**2**	**9.706**	**-**	**5.303**	**-**	**-**	**-**	**11**	**2.900**	**34.771**
of which:													
Financial receivables	19.866	-	-	-	-	-	5.058	-	-	-	-	-	-
Other financial assets	-	-	-	-	9.242	-	-	-	-	-	-	-	-
Current assets	**16.311**	**2.989**	**321**	**16.796**	**8.384**	**1.640**	**12.801**	**2.561**	**723**	**7.836**	**1.002**	**4.631**	**3.246**
of which:													
Property inventories	-	1.495	-	16.595	-	-	-	-	-	7.700	-	-	-
Financial receivables	16.253	-	268	-	-	1.545	5.000	-	-	-	-	792	3.082
Cash and cash equivalents	50	93	51	52	7.861	92	5.472	1.467	343	24	197	1.745	53
Total assets	**36.178**	**2.989**	**321**	**16.799**	**18.090**	**1.640**	**18.105**	**2.561**	**723**	**7.836**	**1.013**	**7.530**	**38.017**
Non-current liabilities	**5.557**	**270**	**-**	**80**	**341**	**-**	**1.856**	**638**	**-**	**-**	**150**	**2.614**	**6.448**
of which:													
Financial payables	-	270	-	80	-	-	-	-	-	-	-	854	6.442
Current liabilities	**16.636**	**492**	**76**	**16.549**	**3.980**	**7**	**1.619**	**720**	**366**	**5.958**	**621**	**10.011**	**8.230**
of which:													
Financial payables	16.598	329	-	15.528	1.545	-	-	-	350	4.708	-	3.259	8.138
Equity	**13.985**	**2.227**	**245**	**170**	**13.769**	**1.633**	**14.629**	**1.203**	**357**	**1.879**	**242**	**(5.094)**	**23.339**
of which attributable to non-controlling interests	***6.853***	***1.091***	***24***	***68***	***2.064***	***245***	***6.335***	***526***	***155***	***761***	***119***	***(1.274)***	***5.742***

Non-controlling interests, availability of third party votes and dividends distributed to non-controlling interests

	Interests in capital of non-controlling interests	Availability of votes of non-controlling interests % (1)	Income (loss) pertaining to non-controlling interests	Equity pertaining to non-controlling interests	Dividends distributed to non-controlling interests
Ghea S.r.l.	49,00%	49,00%	93.365	6.852.732	-
Lucianita S.r.l.	49,00%	49,00%	90.904	1.091.447	-
Esse Ventuno S.r.l. in liquidation	10,00%	10,00%	1.163	24.486	-
Santarosa S.r.l.	40,00%	40,00%	(84.996)	67.849	-
Earchimede S.p.A.	14,99%	14,99%	(45.059)	2.063.935	1.499.000
FD 33 S.r.l.	14,99%	0,00%	(5)	244.843	-
Fashion District Group S.r.l. in liquidation	43,33%	33,34%	(22.594)	6.334.829	-
Fashion District Roma S.r.l. in liquidation	43,33%	0,00%	(28.827)	526.256	-
Loft S.r.l. in liquidation	43,33%	0,00%	(7.798)	154.764	-
Parco Mediterraneo S.r.l.	40,50%	0,00%	(50.489)	760.771	-
Zorro S.r.l.	25,00%	25,00%	(167.291)	5.741.755	
Gruppo Zaffiro	25,00%	0,00%	125.925	(1.273.540)	
Ethica&Mittel Debt Advisory S.r.l.	49,00%	49,00%	15.846	119.270	
			(79.856)	22.709.397	1.499.000

With reference to these significant non-controlling interests in subsidiaries, it should be noted that there are no particular rights of protection of non-controlling shareholders that can significantly limit the Group’s ability to transfer assets and extinguish liabilities.

The section ‘Significant accounting standards and basis of preparation’, to which reference should be made, contains an illustration of the criteria and methods of determination of the consolidation scope and the reasons for which an investee is subject to joint control or significant influence.

The consolidated financial statements are prepared on the basis of the accounting situations as at 31 March 2017 drafted by the respective consolidated companies, adjusted, where necessary, in order to align these to the Mittel Group classification criteria and accounting standards compliant with IFRS.

Information on consolidated statement of financial position - Assets

Non-current assets

4. Intangible assets

This item totalled EUR 40,5 million, marking an increase of EUR 40,4 million over 30 September 2016.
The item saw the following changes:

	Goodwill	Patents	Plant	Concessions and licences	Other	Total
Values as at 01.10.2016	**-**	**-**	**-**	**13**	**28**	**41**
Changes in the year:						
- acquisitions	-	-	-	-	16	**16**
- increase for business combinations	40.407	-	-	-	-	**40.407**
- disposals	-	-	-	-	-	**-**
- reclassifications	-	-	-	-	-	**-**
- amortization	-	-	-	(9)	(16)	**(25)**
- value adjustments	-	-	-	33	6	**39**
Total changes	**40.407**	**-**	**-**	**24**	**7**	**40.437**
Values as at 31.03.2017	**40.407**	**-**	**-**	**37**	**35**	**40.479**

The considerable increase in this item is attributable exclusively to the recognition of goodwill relating to acquisition of the investment in Gruppo Zaffiro S.r.l. by Zorro S.r.l.

5. Property, plant and equipment

This item totalled EUR 5.639 thousand, increasing by EUR 1.875 thousand compared to 30 September 2016.
The item saw the following changes:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Other assets	Total
Value as at 01.10.2016	**3.371**	**-**	**1**	**263**	**129**	**3.764**
Changes in the year:						
- acquisitions	-	-	-	6	8	**14**
- increase for business combinations	-	-	-	-	-	**-**
- disposals	-	-	-	(3)	(22)	**(25)**
- reclassifications	-	-	-	-	-	**-**
- amortization	(55)	-	(15)	(67)	(266)	**(401)**
- other changes	-	-	37	631	1.619	**2.287**
Total changes	**(55)**	**-**	**22**	**569**	**1.339**	**1.875**
Values as at 31.03.2017	**3.317**	**-**	**23**	**832**	**1.468**	**5.639**

The significant increase compared to last year is solely attributable to the inclusion of the Zaffiro Group in the consolidation scope. The most significant amounts can be attributed to the improvements to properties in which Zaffiro Group activities are carried out and to equipment indispensable to efficient organisation, also from an administrative point of view.

Depreciation is comprised as follows:

- land and buildings, EUR 55 thousand, relating entirely to Mittel S.p.A.;
- plant and machinery, EUR 15 thousand, entirely attributable to the Zaffiro Group;
- office machines and equipment, EUR 67 thousand, attributable to Mittel S.p.A. (EUR 19 thousand), Mittel Advisory Debt and Grant S.p.A. (EUR 1 thousand), Mittel Advisory S.r.l. (EUR 4 thousand), Mittel Investimenti Immobiliari S.r.l. (EUR 3 thousand), Cad Immobiliare S.r.l. (EUR 1 thousand), Breme S.r.l. (EUR 2 thousand) and the Zaffiro Group (EUR 37 thousand);
- other assets, EUR 266 thousand, attributable to Mittel S.p.A. (EUR 15 thousand), Mittel Advisory S.r.l. (EUR 2 thousand), Mittel Advisory Debt and Grant S.p.A. (EUR 6 thousand), Mittel Investimenti Immobiliari S.r.l. (EUR 1 thousand) and the Zaffiro Group (EUR 242 thousand).

6. Investments accounted for using the equity method

These totalled EUR 58,2 million, down by EUR 29,9 million.

	31.03.2017	30.09.2016
Chase Mittel Capital Holding II NV in liquidation	-	-
Tower 6 bis S.a.r.l.	16.963	28.101
Liberata S.p.A.	5.400	5.400
Bios S.p.A.	35.307	50.749
Castello SGR S.p.A.	-	3.332
Mit.Fin S.p.A.	89	94
Superpartes S.p.A.	464	457
	58.223	88.133

The change in the item is as follows:

	% interest	Balances 1.10.2016	Purchases	Sales	Profit (loss) pro-rata	Adjustments to valuation reserve	Other changes	Dividends distributed	Closing balances 31.03.2017
Direct associates									
		-	-	-	-	-	-	-	-
Liberata S.p.A./Mittel Generale Investimenti S.p.A.	27,00%	5.400	-	-	-	-	-	-	5.400
Tower 6 bis S.a.r.l.	49,00%	28.101	-	-	(85)	(2.870)	-	(8.183)	16.963
Chase Mittel Capital Holding II NV	21,00%	-	-	-	-	-	-	-	-
Castello SGR S.p.A. (*)	23,17%	3.332	-	-	225	-	(3.558)	-	-
Bios S.p.A.	50,00%	50.749	-	-	-	(15.442)	-	-	35.307
Mit.Fin Compagnia Finanziara S.p.A.	30,00%	94	-	-	(5)	-	-	-	89
Via Earchimede S.p.A.									
Superpartes S.p.A.	11,89%	457	-	-	8	-	-	-	464
		88.133	**-**	**-**	**142**	**(18.312)**	**(3.558)**	**(8.183)**	**58.223**

(*) classified among assets held for sale

The main changes refer to:

- EUR 15,5 million to the lower value of the investee Bios S.p.A. as a result of the adjustment in the valuation reserve to the fair value of the equity investment it holds in Livanova Plc (formerly Sorin S.p.A.);
- EUR 11,1 million to the lower value of the investee Tower 6 Bis S.a.r.l. as a result of the adjustment in the valuation reserve to the fair value of the equity investment it holds in Livanova Plc (EUR 2,9 million) and to the EUR 8,2 million dividend distribution arranged last December;
- EUR 3,3 million to the deconsolidation of Castello SGR following the loss of significant influence in December 2016, at the time of signing a binding agreement for disposal of the 21,81% interest in the

share capital of Castello SGR S.p.A. This agreement was concluded on collection of the entire price of EUR 6,7 million in April 2017.

Information on companies subject to joint control and associates:

The companies Bios S.p.A. and Tower 6 Bis Sarl, entities for which, on a contractual basis, control is shared between the Group and one or more other entities, or when decisions about the relevant activities require the unanimous consent of all the parties sharing control, are considered joint ventures.
Bios S.p.A. is jointly controlled by Mittel S.p.A. and Tower 6 S.à r.l. (share capital of EUR 3.000.000 divided into 1.500.000 ordinary shares and 681.818 category B shares with no voting rights - Mittel S.p.A. holds 750.000 ordinary shares).

The income statement and statement of financial position figures as at 31 December 2016 of the jointly controlled companies, adjusted in compliance with IFRS for application of the equity method for the purposes of Group consolidation and the reconciliation between the summary of the economic-financial data presented and the book value of the joint interests, are detailed below:

	Bios S.p.A.	**Tower 6 bis S.a.r.l.**
Information on companies subject to joint control and associates (thousands of Euro)		
Non-current assets	**163.303**	**34.661**
Available-for-sale financial assets - equity partecipations	163.303	34.661
Current assets	**2.141**	**155**
Cash and cash equivalents	2.141	137
Total assets	**165.444**	**34.816**
Equity	**70.614**	**34.618**
Non-current liabilities	**202**	**-**
Current liabilities	**94.628**	**198**
	165.444	**34.816**
Gross operating margin (EBITDA)	**(35)**	**(12.404)**
Costs for services	(31)	(120)
Operating result (EBIT)	**(85)**	**(12.404)**
Amortizations	(4)	-
Financial income	2.146	12.359
Financial expenses	(2.061)	(126)
Income (loss) before taxes	**-**	**(171)**
Income taxes	-	(3)
Income (loss) fo the period (1)	**-**	**(174)**
Other profits/(losses) components net of taxes	(28.652)	(5.856)
Comprehensive profit (loss) (3) = (1) + (2)	**(28.652)**	**(6.030)**
% Interest	*50%*	*49%*
Pro-rata comprehensive profit (loss)	**(14.326)**	**(2.955)**

In terms of significant restrictions on the capacities of investees subject to joint control or a significant influence to transfer funds to the investor, it should be noted with respect to Bios S.p.A., companies subject to joint control, the loan agreements in place with the lenders provide that they can distribute dividends subject to the transfer of investments in Livanova Plc and limited to the available resources after the fulfilment of the obligations with repayment priorities based on the contractual agreements. The creditors hold Livanova Plc shares as pledges on the existing loans.

In particular, as at 31 March 2017, Bios S.p.A. arranged replacement of its bank loan falling due with Banca Monte dei Paschi di Siena S.p.A. with a new 12-month pooled loan from Banca Intesa S.p.A. and Banca Profilo S.p.A. for a total of EUR 57,5 million. This loan was guaranteed by a pledge on Livanova Plc shares with verification every 2 weeks of the Loan to Value ratio.
In addition, the Bios S.p.A. Articles of Association recognise preference shares (Class B shares without voting rights) with preferential distribution, currently held exclusively by Ghea S.r.l..
In this respect, in the previous year - on 29 April 2016 - the Extraordinary Shareholders' Meeting of Bios S.p.A. amended art. 26 of the Articles of Association and, as a result of the statutory change, the rights of Ghea S.r.l., currently sole holder of Bios B shares, to participate on a priority basis with respect to the ordinary shares in the distribution of profits, as with all reserves resolved by the shareholders' meeting, to date amount to EUR 17,0 million, plus a return of 4,875% capitalised on an annual basis and effective from 22 December 2013.

The non-controlling shareholders (equal measure) of Bios S.p.A, are not only excluded from substantive control over the relevant activities of Bios but, despite being exposed to the variable returns of the investee, do not have the option to actually use their power to influence the investee's returns.
It should be pointed out that the indirect investment in Livanova Plc is considered an investment classified as a financial asset, given that Bios S.p.A. is a vehicle company dedicated exclusively to performing the transfer of the Livanova investment, whose revenue is allocated exclusively, on a pre-deduction basis, to the full repayment of existing bank loans and, therefore, with reference to said equity interest, Bios S.p.A. essentially holds exclusively equity rights subject to repayment of the financial payables and, solely in said exclusive eventuality of protection of its equity interests, exercises the subsequent governance rights over the investment in Livanova Plc.

Lastly, with reference to the risks associated with events or circumstances which could expose the Group to a loss in relation to joint interests, it should be noted that Bios S.p.A. has a dispute in progress relating to the Snia S.p.A. (under extraordinary administration) proceedings described in the previous paragraph "Main ongoing legal proceedings".

In the Mittel Group half-yearly consolidated position, the total investment of Ghea S.r.l. in Bios S.p.A. is recognised as a financial receivable with a value of EUR 36,1 million.
Therefore, as at 30 September 2016 the reporting package of Bios, including the amount due to Ghea S.r.l., shows a financial payable of EUR 94,0 million.

The income statement and statement of financial position figures of the associates, adjusted in compliance with IFRS for application of the equity method for the purposes of preparing the Group consolidated financial statements and the reconciliation between the summary of the economic-financial data presented and the book value of the Group's investments in the associates, are detailed below:

Companies subject to significant influence	Mit.Fin Compagnia Finanziaria S.p.A.	Superpartes S.p.A.	Liberata S.r.l.	Mittel Generale Investimenti S.r.l.
(thousands of Euro)				
Non-current assets	**9**	**745**	**50.500**	**53.059**
Financial receivables	-	-	-	49.925
Other financial assets	-	713	-	-
Current assets	**380**	**400**	**205**	**783**
Cash and cash equivalents	325	176	202	776
Total assets	**389**	**1.144**	**50.705**	**53.842**
Equity	**297**	**844**	**23.264**	**51.557**
Non-current liabilities	**16**	**109**	**27.129**	**1.982**
Non-current financial payables	-	-	27.129	-
Current liabilities	**76**	**191**	**312**	**303**
Current financial payables	-	-	-	-
Total equity and liabilities	**389**	**1.145**	**50.705**	**53.842**

Gross operating margin (EBITDA)	**(7)**	**(1.014)**	**10.436**	**(361)**
Costs for services	(298)	(1.140)	(52)	(258)
Operating result (EBIT)	**(9)**	**(1.098)**	**(64)**	**185**
Amortizations	(2)	-	-	(49)
Value adjustments to financial assets	-	(40)	(10.500)	1.152
Financial income	1	1.165	-	1.410
Financial expenses	-	(9)	(678)	(19)
Profit (loss) from trading of financial assets	-	-	-	-
Income (loss) before taxes	**(8)**	**59**	**(742)**	**1.576**
Income taxes	(6)	-	(254)	(512)
Profit (loss) for the period (1)	**(14)**	**59**	**(996)**	**1.064**
Other profits/(losses) components net of taxes (2)	-	-	-	-
Comprehensive profit (loss) (3) = (1) + (2)	**(14)**	**59**	**(996)**	**1.064**

There are no significant restrictions on the capacities of investees subject to significant influence to transfer funds to the investor and particularly significant commitments relating to companies subject to significant influence.

The reconciliation between the summary of the economic-financial data presented and the book value of the investments in jointly controlled companies and associates is detailed below:

(thousands of Euro)	Total Equity	Pro-rata Equity	Goodwill	Impairment losses	Other changes	Book value
Jointly controlled companies:						
Bios S.p.A.	70.614	35.307	-	-	-	**35.307**
Tower 6 bis S.a.r.l.	34.618	16.963	-	-	-	**16.963**
	105.232	**52.270**	**-**	**-**	**-**	**52.270**
Companies subject to significant influence:						
Liberata S.r.l./Mittel Generale Investimenti S.r.l. (*)	24.339	6.572	-	-	(1.172)	**5.400**
Mit.Fin Compagnia Finanziara S.p.A.	297	89	-	-	-	**89**
Superpartes S.p.A.	844	100	364	-	-	**464**
	25.480	**6.761**	**364**	**-**	**(1.172)**	**5.953**
	130.712	**59.031**	**364**	**-**	**(1.172)**	**58.223**

(*) Figures for Liberata S.r.l. include the consolidation of the wholly-owned Mittel Generale Investimenti S.r.l. with a book value of EUR 50,5 million

It should be noted that, at present there are no commitments deriving from contractual arrangements, particular events or circumstances that could subject the parent company Mittel S.p.A. and its subsidiaries to providing financial support to associates or non-consolidated structured entities which could determine future cash outflows and obligations from unconditional purchase commitments or unrecognised commitments to grant loans or guarantee any other type of financial support, including the intention to assist investees in obtaining financial assistance.

7. Financial receivables

These totalled EUR 91,7 million, down by EUR 8,5 million.

	31.03.2017	30.09.2016
Loans	91.448	99.901
Other receivables	200	275
Security deposits	-	-
	91.648	**100.176**

The item Loans is composed as follows:

	31.03.2017	30.09.2016
- Loans - financial institutions	10.000	10.000
- Loans - customers	81.448	89.901
	91.448	**99.901**

The item “Loans” mainly includes:

- the non-current portion of the receivable due to Ghea S.r.l. from Bios S.p.A. for EUR 19,9 million;
- the loans in place between Mittel S.p.A. and Liberata S.p.A. amounting to EUR 27,1 million, taken out upon transfer of the equity investment in Mittel Generale Investimenti S.p.A. (now S.r.l.);
- the receivable of EUR 10,0 million due from Fondo Augusto;
- the loan in place between Mittel S.p.A. and Montini S.p.A. amounting to EUR 17,1 million, taken out at the same time as the transfer of the investment in 2008, originally held by Hopa S.p.A. (incorporated into Mittel S.p.A. on 5 January 2012);
- the receivable of EUR 13,9 million due from Sofimar SA, for which recovery action is in progress following the award granted through international arbitration proceedings;
- the residual loan of EUR 2,1 million to Fingruppo Holding S.p.A. in liquidation, originally held by Hopa S.p.A. (incorporated into Mittel S.p.A. on 5 January 2012);
- the receivable of EUR 1,3 million due to Locaeffe S.r.l. in liquidation, subject to impairment in previous years;

- the receivable of EUR 0,1 million due to Mittel S.p.A. from Tower 6 Bis S.à r.l.

The change in the item “Loans - customers” refers mainly to collections in January and March 2017, of EUR 4,0 million and EUR 6,2 million respectively, in relation to the disposal of the investment in Mittel Generale Investimenti S.p.A. (now S.r.l.). The effect of these events is offset by the increase in the positions of Ghea S.r.l./Bios S.p.A. (EUR 0,5 million), Mittel S.p.A./Montini S.p.A. (EUR 0,5 million) and Mittel S.p.A./Fingruppo Holding S.p.A. (EUR 0,1 million) attributable to interest accrued on the loans in question.

The item “Other receivables” comprises a receivable due to Markfactor S.r.l. in liquidation, subject to impairment.

8. Other financial assets

These totalled EUR 34,4 million, down by EUR 3,4 million.

The item is composed as follows:

	31.03.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units	34.383	37.731
Bonds	51	51
Derivative financial instruments	-	-
Financial assets at fair value	-	-
	34.434	**37.782**

Available-for-sale financial assets

The item includes equity instruments recorded as available-for-sale financial assets and bonds and financial assets at fair value and is composed as follows:

	31.03.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units:		
Fondo Augusto	13.174	13.840
Equinox Two S.c.a.	10.046	11.235
Credit Access Asia NV	-	990
Fondo Cosimo I	3.609	3.760
Istituto Atesino di Sviluppo S.p.A.	3.313	3.313
SIA - SSB S.p.A.	1.400	1.400
Opera 2 Partecipations S.C.A.	773	773
Medinvest International S.A.	1.104	1.104
Investitori Associati II S.A.	862	876
Fondo Progressio Investimenti	-	6
Lu-Ve S.p.A.	-	165
Mc Link	-	97
Nomisma S.p.A.	100	100
Frendy Energy	-	38
Warrant Lu-Ve S.p.A.	-	23
Società Editoriale Vita S.p.A.	-	8
Isfor 2000 S.c.p.a.	3	3
Bonds:		
Editoriale Vita S.p.A. 4% (bonds)	51	51
	34.434	**37.782**

The change in other financial assets (current and non-current) breaks down as follows:

Name/company name	Value as at 01/10/2016	Purchases and subscriptions	(Recall of funds) Reimbursements	Transfers	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Reclassification on current and other charges	Value as at 31/03/2017
Equities and fund units:									
Fondo Augusto	13.840	-	-	-	-	(667)	-	-	13.173
Equinox Two S.c.a.	11.235	-	-	-	-	(368)	(821)	-	10.046
Credit Access Asia NV	990	-	-	(990)	-	-	-	-	-
Fondo Cosimo I	3.760	-	-	-	-	-	(151)	-	3.609
Istituto Atesino di Sviluppo S.p.A.	3.313	-	-	-	-	-	-	-	3.313
SIA - SSB S.p.A.	1.400	-	-	-	-	-	-	-	1.400
Opera 2 Partecipations S.C.A.	773	-	-	-	-	-	-	-	773
Medinvest International S.A.	1.104	-	-	-	-	-	-	-	1.104
Pioneer - Fondo comune di investimento	-	-	-	-	-	-	-	-	-
Investitori Associati II S.A.	876	-	-	-	-	-	(14)	-	862
Fondo Progressio Investimenti	6	-	-	(51)	45	-	-	-	-
Lu-Ve S.p.A.	165	-	-	(186)	21	-	-	-	-
Mc Link	97	-	-	(98)	1	-	-	-	-
Nomisma S.p.A.	100	-	-	-	-	-	-	-	100
Frendy Energy	38	-	-	(33)	(5)	-	-	-	-
Warrant Lu-Ve S.p.A.	23	-	-	(25)	2	-	-	-	-
Società Editoriale Vita S.p.A.	8	-	-	(7)	(1)	-	-	-	-
Isfor 2000 S.c.p.a.	3	-	-	-	-	-	-	-	3
Inn. Tec S.r.l.	-	-	-	-	-	-	-	-	-
Bonds:									
Credit Acess 6,50% (bonds)	-	-	-	-	-	-	-	-	-
Editoriale Vita S.p.A. 4%(bonds)	51	-	-	-	-	-	-	-	51
	37.782	-	**-**	**(1.390)**	**63**	**(1.035)**	**(986)**	**-**	**34.434**
Assets held for sale									
Castello S.g.r.	-	-	-	-	-	-	-	6.700	**6.700**

Some information on the main changes in equity investments classified as "Available-for-sale financial assets" is provided below:

The disposals amounting to EUR 1,4 million refer mainly to the sale of residual shares of Credit Access Asia N.V. for EUR 1,0 million and, for EUR 0,3 million, to the disposal of Lu-Ve S.p.A. shares (EUR 0,2 million) and Mc Link shares (EUR 0,1 million).

The item "Fair value adjustments" refers to the changes recorded by the Parent Company in relation to Fondo Equinox Two Sca for EUR 316 thousand, by Earchimede S.p.A. for EUR 505 thousand, and those relating to Fondo Cosimo I recognised by Mittel S.p.A. for EUR 151 thousand.

The decreases due to impairment losses of EUR 1,0 million refer to the impairment losses recognised by the Parent Company in relation to Fondo Equinox Two Sca for EUR 123 thousand, by Earchimede S.p.A. for EUR 245 thousand, and those relating to Fondo Augusto recognised by Mittel S.p.A. for EUR 667 thousand.

The assets held for sale reflect the effect of deconsolidation of Castello SGR S.p.A., which after the loss of significant influence was classed as a financial asset under assets held for sale in view of a binding agreement signed in December 2016 for sale of the equity investment, finalised with collection of the entire price of EUR 6,7 million in April 2017.

9. Sundry receivables and other assets

The item "Sundry receivables and other non-current assets" totalled EUR 1.089 thousand (EUR 315 thousand as at 30 September 2016) and is composed as follows:

	31.03.2017	**30.09.2016**
Tax receivables	146	143
Other receivables	145	145
Other assets	798	27
	1.089	**315**

The increase in "Other assets" is mainly attributable to the contribution of the Zaffiro Group.

10. Deferred tax assets

These totalled EUR 231 thousand, decreasing by EUR 1.025 thousand compared to 30 September 2016.

The composition of the item tax assets is as follows:

	31.03.2017	30.09.2016
Tax assets recognised in profit or loss	133	1.227
Tax assets recognised in equity	98	29
	231	**1.256**

	31.03.2017	30.09.2016
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangible assets	-	-
Allocations	-	-
Other assets/liabilities	102	37
Receivables	-	-
Losses carried forward	129	1.219
Other	-	-
	231	**1.256**

The item tax assets is mainly composed of the contribution from the Fashion District Group, with deferred tax assets recorded for a total of EUR 0,1 million recorded, and the EUR 0,1 million contribution from the Zaffiro Group. Changes in the item tax assets recognised in profit and loss are as follows:

	31.03.2017	30.09.2016
Opening Balance	**1.227**	**4.596**
Increases	**-**	**-**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**(1.094)**	**(3.368)**
Deferred tax assets cancelled in the period:	**(1.090)**	**(2.823)**
- reversals	(1.090)	(2.823)
Decreases in tax rates	-	-
Other reductions	(4)	(545)
	133	**1.227**

The item “reversals” refers entirely to the release of deferred tax assets, recorded in recent years by Fashion District Group S.r.l. in liquidation in relation to prior years’ losses, partly reversed in the period 1 October 2016-31 March 2017.

Changes in the item tax assets recognised in equity are as follows:

	31.03.2017	30.09.2016
Opening Balance	**29**	**13**
Increases	**93**	**36**
Deferred tax assets recorded in the period:	**-**	**8**
- relating to previous years	-	-
- other	-	8
Increases in tax rates	-	-
Other increases	93	29
Decreases	**(24)**	**(20)**
Deferred tax assets cancelled in the period:	**-**	**(10)**
- reversals	-	(10)
Decreases in tax rates	-	-
Other reductions	(24)	(10)
	98	**29**

Deferred tax assets are recognised to the extent it is deemed likely that taxable profits will be generated to allow the use of the amount recognised as at 31 March 2017.

Management recorded the deferred tax assets in Group companies up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered within a time period implicit in the Group's planning.

The tax losses of companies included in the Mittel tax consolidation as at 31 March 2017 totalled EUR 58,0 million. The Group companies did not recognise any deferred tax assets on tax losses, unless within the limits of the amount recorded under current taxes considered recoverable in the period through the fee due in accordance with the provisions of the tax consolidation contract.

In addition to the tax consolidation losses, Mittel S.p.A. recorded, following the positive response received last year to the questions submitted, tax losses of EUR 60,0 million relating to the merged companies Hopa S.p.A. and Tethys S.p.A., in respect of which, for the above reasons, no deferred tax assets were recognised.

Current assets

11. Property inventories

As at 31 March 2017, the item amounted to EUR 93,4 million, a decrease of EUR 6,2 million compared to 30 September 2016. In particular, the item is composed as follows:

	31.03.2017	30.09.2016
Properties under construction	85.710	91.891
Properties under development	7.700	7.700
Properties held for trading	-	-
	93.410	**99.591**

As regards "properties under construction", see the table below which shows the changes in the item. The item "properties under development", however, refers to a development site in the province of Catania held via Parco Mediterraneo S.r.l. Specifically, it is an area of around 600.000 square metres located in the Municipality of Belpasso (CT).

In particular, the "properties under construction" relate to the following companies:

	31.03.2017	30.09.2016
Breme S.r.l.	10.102	10.100
CAD Immobiliare S.r.l.	16.047	16.074
Fede S.r.l.	6.900	6.900
Gamma Tre S.r.l.	5.377	5.210
Iniziative Nord Milano S.r.l.	4.743	6.200
Lucianita S.r.l.	1.495	3.468
Mittel Investimenti Immobiliari S.r.l.	9.786	10.938
MiVa S.r.l.	13.131	13.000
Regina S.r.l.	1.534	1.500
Santarosa S.r.l.	16.595	18.500
Total	**85.710**	**91.891**

The change in the item "properties under construction" is as follows:

	30.09.2016	Initiative transfer/other	Increase for capitalisation of costs	Decrease for sales	Impairment	Changes in advances	31.03.2017
Breme S.r.l.	10.100	-	2	-	-	-	10.102
CAD Immobiliare S.r.l.	16.074	-	3	(31)	-	-	16.047
Fede S.r.l.	6.900	-	-	-	-	-	6.900
Gamma Tre S.r.l.	5.210	-	167	-	-	-	5.377
Iniziative Nord Milano S.r.l.	6.200	-	-	(1.457)	-	-	4.743
Lucianita S.r.l.	3.468	-	113	(2.087)	-	-	1.495
Mittel Investimenti Immobiliari S.r.l.	10.938	-	18	(1.171)	-	-	9.785
MiVa S.r.l.	13.000	-	131	-	-	-	13.131
Regina S.r.l.	1.500	-	34	-	-	-	1.534
Santarosa S.r.l.	18.500	-	32	(1.937)	-	-	16.595
Total	**91.891**	**-**	**501**	**(6.682)**	**-**	**-**	**85.710**

12. Financial receivables

As at 31 March 2017, the item amounted to EUR 22,3 million, a decrease of EUR 10,7 million, and is composed as follows:

	31.03.2017	30.09.2016
Loans	16.383	27.851
Other receivables	5.912	5.100
Security deposits	-	-
	22.294	**32.951**

The item Loans is composed as follows:

	31.03.2017	30.09.2016
Loans - financial institutions	86	57
Loans - customers	16.296	27.793
	16.383	**27.851**

The item “Loans” mainly includes:

- the current portion of the receivable due to Ghea S.r.l. from Bios S.p.A. for EUR 16,3 million;
- the interest accrued but not yet collected for EUR 0,1 million on the mortgage loan due from Fondo Augusto to Mittel S.p.A.;

The item “other receivables” comprises EUR 5,0 million of funds held in a restricted current account as guarantee pursuant to the contract for the sale of the outlets to IDeA FIMIT SGR S.p.A. The amount was collected this May, as per the contract. The residual amount of “other receivables”, totalling EUR 0,9 million, refers to Markfactor S.r.l. in liquidation for EUR 0,1 million and to the contribution of the Zaffiro Group for EUR 0,8 million.

13. Other financial assets

As at 31 March 2017, the item refers mainly to the valuation of the securities held by Mittel S.p.A.

The item is composed as follows:

	31.03.2017	30.09.2016
Bonds	-	-
Equity instruments	8.589	6.909
Derivative financial instruments	-	-
	8.589	**6.909**

Changes in current bonds and equity instruments are detailed below:

Amounts in thousands of Euro — **Changes in the period**

Name/company name	Amounts as at 01/10/2016	Purchases and subscriptions	(Recall of funds) Reimbursements	Capital gains (losses)	Write-downs – write-backs	Fair Value adjustments	Value as at 31.03.2017
Current available-for-sale financial assets:							
Intesa San Paolo S.p.A. (current)	1.481	-	-	-	-	429	1.910
UBI Banca - Unione di Banche Italiane S.c.p.a. (current)	3.165	-	-	-	-	2.390	5.554
	4.646	**-**	**-**	**-**	**-**	**2.819**	**7.464**
Financial assets held for trading:							-
Share portfolio	2.264	-	(1.366)	82	145	-	1.125
	2.264	**-**	**(1.366)**	**82**	**145**	**-**	**1.125**
	6.910	**-**	**(1.366)**	**82**	**145**	**2.819**	**8.589**

14. Current tax assets

As at 31 March 2017, the item amounted to EUR 9,5 million, a decrease of EUR 1,3 million compared to 30 September 2016.

	31.03.2017	30.09.2016
IRES (corporate income tax)	8.271	9.527
IRAP (regional business tax)	1.259	1.314
Other taxes	-	-
	9.530	**10.841**

Current IRES tax assets relate, for EUR 6,4 million (EUR 8,1 million as at 30 September 2016), to the receivable due from the tax authorities deriving from tax withholdings and payments on account made to date relating to Mittel S.p.A. and deriving from the National Global Tax Consolidation and, for the remainder, to IRES receivables transferred from the Parent Company to Mittel Advisory S.r.l. (EUR 144,7 thousand), Breme S.r.l. (EUR 29,3 thousand), Cad Immobiliare S.r.l. (EUR 14,9 thousand), Ethica & Mittel Debt Advisory S.r.l. (EUR 400 thousand), Earchimede S.p.A. (EUR 48,4 thousand), FD33 S.r.l. (EUR 2,4 thousand), Fashion District Roma S.r.l. in liquidation (EUR 15,1 thousand), Fede S.r.l. (EUR 70 thousand), Gamma Tre S.r.l. (EUR 53 thousand), Ghea S.r.l. (EUR 4,6 thousand), Locaeffe S.r.l. in liquidation (EUR 2,5 thousand), Loft S.r.l. in liquidation (EUR 4,5 thousand), Lucianita S.r.l. (EUR 52,8 thousand), Markfactor S.r.l. in liquidation (EUR 4,7 thousand), Mittel Advisory Debt and Grant S.p.A. (EUR 183,9 thousand), Mittel Investimenti Immobiliari S.r.l. (EUR 249 thousand), Miva S.r.l. (EUR 52,8 thousand), Parco Mediterraneo S.r.l. (EUR 15 thousand), Regina S.r.l. (EUR 14,1 thousand) and Santarosa S.r.l. (EUR 52,9 thousand), in addition to the tax receivable from withholding taxes paid and payments on account made by Iniziative Nord Milano S.r.l. (EUR 29,9 thousand) and Earchimede S.p.A. (EUR 408,1 thousand).

The IRAP receivable is due to payments on account made by Mittel S.p.A. (EUR 1.016 thousand), Mittel Advisory S.r.l. (EUR 44 thousand), Earchimede S.p.A. (EUR 47,5 thousand), Fashion District Group S.r.l. in liquidation (EUR 15,0 thousand), Fashion District Roma S.r.l. in liquidation (EUR 18,4 thousand), Lucianita S.r.l. (EUR 52,7 thousand), Mittel Advisory Debt and Grant S.p.A. (EUR 35,4 thousand), Santarosa S.r.l. (EUR 6,5 thousand), Cad Immobiliare S.r.l. (EUR 0,1 thousand), Gamma Tre S.r.l. (EUR 5,5 thousand), Mittel Investimenti Immobiliari S.r.l. (EUR 3,5 thousand), Regina S.r.l. (EUR 1,4 thousand), Esse Ventuno S.r.l. (EUR 2,4 thousand) and Iniziative Nord Milano S.r.l. (EUR 9,1 thousand).

The item showed the following changes:

	31.03.2017	30.09.2016
Opening balance	**10.841**	**14.721**
Increases	**750**	**125**
Current tax assets recorded in the period:	**7**	**28**
- relating to previous years	-	-
- other	7	28
Other increases	743	97
Decreases	**(2.061)**	**(4.004)**
Current tax assets cancelled in the period:	**-**	**-**
- reimbursements	-	-
Other decreases	(2.061)	(4.004)
	9.530	**10.841**

Of the decreases, EUR 1,3 million refers to the IRES and IRAP receivables offset against the payment of taxes through Form F24.

15. Sundry receivables and other assets

As at 31 March 2017, the item amounted to EUR 9,5 million, an increase of EUR 1,0 million, and was composed as follows:

	31.03.2017	30.09.2016
Trade receivables	3.624	1.232
Receivables from leases	-	-
Other tax receivables	2.473	4.004
Other receivables	2.877	2.830
Accrued income and prepaid expenses	553	437
	9.527	**8.504**

The item trade receivables is mainly comprised of EUR 1,9 million in receivables due from the customers of companies in the Advisory sector deriving from ordinary operations, EUR 1,6 million as the contribution of the Zaffiro Group and EUR 0,1 million in receivables due to the Parent Company in relation to lease instalments and services provided.
The tax receivables refer mainly to (i) the Group VAT receivable for EUR 0,6 million, (ii) VAT receivables accrued by Fashion District Group S.r.l. in liquidation for EUR 1,3 million, Loft S.r.l. for EUR 0,2 million, Parco Mediterraneo S.r.l. for EUR 0,1 million, Zorro S.r.l. for EUR 0,1 million and (iii) the receivable recorded by Markfactor S.r.l. in liquidation following the transformation of deferred tax assets into tax credits pursuant to Italian Law Decree 201/11 for EUR 0,1 million. The decrease in this item compared to the previous year is due mainly to reimbursements received in relation to the Group VAT credit (EUR 1,3 million) and the VAT credit accrued by Santarosa S.r.l. (EUR 0,2 million).

The item Other receivables is strongly affected by the contribution from the real estate sector, and in particular from (i) Lucianita S.r.l. for EUR 1,2 million, in relation to a receivable due from the general contractor Ediltecnica S.r.l. for a dispute concerning its failure to deliver the property and (ii) Miva S.r.l. for EUR 1,1 million, referring to the receivable due from the general contractor Ediltecnica S.r.l. in relation to the costs incurred by the Company to undertake works not completed by that general contractor. These receivables are covered by insurance guarantees.

The item accrued income and prepaid expenses is mainly due to the deferral of expenses for insurance policies stipulated by the Parent Company Mittel and its subsidiaries, as well as the EUR 213 thousand contribution from the Zaffiro Group.

16. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 96,0 million (EUR 85,0 million as at 30 September 2016), include cash held by Group companies and investments in bank deposits. The item is composed as follows:

	31.03.2017	30.09.2016
Cash	34	15
Bank and postal deposits	95.977	84.974
	96.010	**84.990**

As regards changes in the item, please refer to the consolidated cash flow statement. Cash and cash equivalents are mainly held in the accounts of the Parent Company Mittel for EUR 76,2 million, the subsidiaries Earchimede S.p.A. for EUR 7,9 million, Fashion District Group S.r.l. in liquidation for EUR 5,5 million, Mittel Investimenti Immobiliari S.r.l. for EUR 1,3 million, Fashion District Roma S.r.l. in liquidation for EUR 1,5 million and the contribution of the Zaffiro Group of EUR 1,7 million.

17. Assets held for sale

With a balance of EUR 6,7 million as at 31 March 2017, this item refers exclusively to the investment held in Castello SGR S.p.A., the binding agreement for the sale of which was signed in December 2016, finalised on collection of the entire price of EUR 6,7 million in April 2017.

Equity

18. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 235 million, a decrease of EUR 18 million over 30 September 2016.

The breakdown of Equity pertaining to the Group is shown in the following table:

	31.03.2017	**30.09.2016**
Share capital	87.907	87.907
Legal reserve	16.760	16.760
Treasury shares	(21.554)	(21.554)
Share/holding premium reserve	53.716	53.716
Valuation reserves	31.248	48.281
Other reserves	33.033	63.745
Profit (loss) of previous years	34.997	8.622
Profit (loss) for the period	(1.085)	(4.506)
Equity	**235.022**	**252.971**

Changes in equity during the period are shown in detail in the relative schedule attached previously.

Share capital

Share capital is made up of 87.907.017 ordinary shares with a nominal value of EUR 1,00.

Treasury shares

As at 31 March 2017 the Parent Company held 12.357.402 treasury shares.

Valuation reserve

The Valuation Reserve relates to the fair value adjustment to the following financial assets, represented by equity securities, classified as available for sale net of the associated taxes.

The breakdown and changes in the valuation reserve in the year are shown below:

Valuation reserve	Valuation reserve pertaining to the Group as at 01.10.2016	Changes in the consolidation scope	Fair value changes: Increases	Fair value changes: Decreases	Release of reserve to the income statement for transfers of financial assets	Release of reserve to the income statement for fair value gains (losses)	Valuation reserve pertaining to the Group as at 31.03.2017	Share pertaining to non controlling interests as at 31.03.2017	Total valuation reserve as at 31.03.2017
Available-for-sale financial assets:									
Ubi Banca Scpa	-	-	2.390	-	-	-	2.390	-	2.390
Intesa San Paolo SpA	670	-	429	-	-	-	1.099	-	1.099
Isa SpA	969	-	-	-	-	-	969	-	969
Fondo Cosimo I	543	-	-	(109)	-	-	434	-	434
Fondo Augusto	-	-	-	-	-	-	-	-	-
Editoriale Vita SpA	-	-	-	-	-	-	-	-	-
SIA - SSB SpA	1.168	-	-	-	-	-	1.168	-	1.168
Equinox SCA (quota di Mittel)	316	-	-	(316)	-	-	-	-	-
Equinox SCA (quota di Earchimede)	429	-	-	(429)	-	-	-	-	-
Credit Access Asia N.V.	605	-	-	-	-	(605)	-	-	-
Fondo dimensione Network	-	-	-	-	-	-	-	-	-
Lu-ve SpA	-	-	-	-	-	-	-	-	-
Warrant Lu-ve SpA	22	-	-	-	-	-	22	-	22
Investitori Associati II SA (in liquidazione)	431	-	-	(12)	-	-	419	(74)	345
Opera 2A Partecipations SCA	-	-	-	-	-	-	-	-	-
Opera 2C Partecipations SCA	-	-	-	-	-	-	-	-	-
Fondo Pioneer	-	-	-	-	-	-	-	-	-
Total	**5.153**	**-**	**2.819**	**(866)**	**-**	**(605)**	**6.501**	**(74)**	**6.427**
							-		
Investments measured using the equity method:									
Tower 6 bis S.a.r.l.	13.681	-	-	(2.870)	-	-	10.811	-	10.811
Bios SpA	29.491	-	-	(15.442)	-	-	14.049	-	14.049
Castello SGR SpA	94	-	-	-	(94)	-	-	-	-
Total	**43.266**	**-**	**-**	**(18.312)**	**(94)**	**-**	**24.860**		**24.860**
Employee defined benefit plans (IAS 19 revised):									
Actuarial reserve	(138)	(75)	100	-	-	-	(113)	(4)	(117)
	(138)	**(75)**	100	-	**-**	**-**	**(113)**	(4)	(117)
	48.281	**(75)**	**2.919**	**(19.178)**	**(94)**	**(605)**	**31.248**	**(78)**	**31.170**

Other comprehensive income/(expense)

The value of Other comprehensive income (expense) is composed as follows:

			Non-controlling interests		**Income (expense) pertaining to the Group**	
	01.10.2016 31.03.2017	**01.10.2015 31.03.2016**	**01.10.2016 31.03.2017**	**01.10.2015 31.03.2016**	**01.10.2016 31.03.2017**	**01.10.2015 31.03.2016**
Profit (loss) for the period (A)	**(1.165)**	**(8.581)**	**(80)**	**(430)**	**(1.085)**	**(8.151)**
Effective part of the profits/(losses) on cash flow hedges		-	-	-	-	-
Profits/(losses) from the redetermination of available-for-sale financial assets	1.830	(6.845)	(79)	(147)	1.909	(6.698)
Profits/(losses) from the transfer of available-for-sale financial assets	(604)	(1.037)	-	-	(604)	(1.037)
Release to the income statement of losses for fair value on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies valued using the equity method	(18.406)	(22.511)	-	-	(18.406)	(22.511)
Profits/(losses) from remeasurement of defined benefit plans	165	4	30	6	135	(2)
Tax effect relating to other profits/(losses)	-	(2)	(7)	(1)	7	(1)
Total other income/(expence), net of taxes (B)	**(17.015)**	**(30.391)**	**(56)**	**(141)**	**(16.959)**	**(30.249)**
Total comprehensive income/(expence) (A) + (B)	**(18.180)**	**(38.972)**	**(136)**	**(571)**	**(18.044)**	**(38.400)**

The tax effect relating to Other consolidated income/(expense) is composed as follows:

	01.10.2016 31.03.2017			**01.10.2015 31.03.2016**		
	Gross value	**Tax expense/benefit**	**Net value**	**Gross value**	**Tax expense/benefit**	**Net value**
Effective part of the profits/(losses) on cash flow hedges	-	-	-	-	-	-
Profits/(losses) from the redetermination of available-for-sale financial assets	1.830	43	1.873	(6.845)	(1)	(6.846)
Profits/(losses) from the transfer of available-for-sale financial assets	(605)	-	(605)	(1.037)	-	(1.037)
Release to the income statement of losses for fair value on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies valued using the equity method	(18.406)	-	(18.406)	(22.511)	-	(22.511)
Profits/(losses) from remeasurement of defined benefit plans	165	(43)	122	4	(1)	3
Other components of the statement of comprehensive income reclassified to the income statement	-	-	-	-	-	-
Total other income/(expence)	**(17.015)**	**-**	**(17.015)**	**(30.389)**	**(2)**	**(30.391)**

19. Non-controlling interests

The breakdown of equity pertaining to non-controlling interests is shown in the following table:

	31.03.2017	30.09.2016
Share capital pertaining to non-controlling interests	10.161	7.018
Tresury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	12.558	19.713
Non-controlling interests - Reserve from available-for-sale financial assets	74	152
Non-controlling interests - Cash flow hedge reserve	-	-
Non-controlling interests - Actuarial reserve IAS 19	(4)	(3)
Profit (loss) for the year pertaining to non-controlling interests	(80)	(7.098)
Equity pertaining to non-controlling interests	**22.709**	**19.782**

Non-current liabilities

20. Bond issue

The item “Bond issue”, recognised under current and non-current liabilities, for the respective shares falling due, was composed as follows:

	31.03.2017	30.09.2016
"Mittel S.p.A. 2013-2019" TF 6% bonds		
Current portion	1.298	1.310
Non-current portion	98.179	97.873
	99.477	**99.183**

More specifically, the liability for Bonds breaks down as follows:

	31.03.2017	30.09.2016
Current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds	1.298	1.310
Non-current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds	99.854	99.854
Total nominal repayment	**101.152**	**101.164**
Measurement at amortized cost	(1.675)	(1.981)
Total book value	**99.477**	**99.183**

The single issue of the bonds to service the public exchange offer (OPSC) and the public subscription option (OPSO) has a duration of 6 years from the issue date, accrues annual interest of at least 6% and is earmarked for listing on the MOT (Screen-based bond market).
Starting from the fourth year from the issue date, Mittel will have the right of early redemption from a minimum of 25% up to a maximum of 50% of the value of the bonds issued.
The bonds involved in the OPSO were offered and issued at a price equal to 98,500% of their nominal value (“Offer Price”). The bonds accrue interest, from the Loan Use Date (12 July 2013) to the Loan Expiry Date (12 July 2019), at the gross definitive fixed annual nominal rate (the “Nominal Interest Rate”) of 6,000%.
The gross effective annual rate of return on expiry of the Bonds involved in the OPSO, (i) calculated on the basis of the Nominal Interest Rate of the Bonds of 6,000% and the Offer Price equal to 98,500% of the nominal value of said Bonds and (ii) assuming that the Issuer does not make any early redemption of the Bonds, is equal to 6,304%.

The Bonds redeemed during the OPSC have the same characteristics as the bonds involved in the OPSO and, therefore, accrue interest, from the Loan Use Date (12 July 2013) to the Loan Expiry Date (12 July 2019), at the gross definitive fixed annual nominal rate (the “Nominal Interest Rate”) of 6,000%. The gross annual rate of return on expiry of the Bonds offered for exchange, (i) calculated on the basis of the Nominal Interest Rate and of the issue price of the Bonds offered for exchange equal to 100% of the nominal value and (ii) assuming that the Issuer does not make any early redemption, is equal to 6,000%, and, therefore, coincides with the Nominal Interest Rate.

The prospectus for the bond issue is available on the website www.mittel.it, in the section “Investor Relations”.
The Bonds were listed on the MOT on 12 July 2013.

Therefore, the total nominal value and the number of the bonds issued to service of the OPSC and OPSO, with a nominal value of EUR 1,75 each as at 31 March 2017 were as follows:

	Bonds issued for the OPSO	Bonds issued for the OPSC	Outstanding bonds
Number of bonds			
"Mittel S.p.A. 2013-2019" TF 6% bonds	42.272.697	14.786.458	57.059.155
Nominal value of bonds redemption (Euro)			
"Mittel S.p.A. 2013-2019" TF 6% bonds	73.977.220	25.876.302	99.853.522

The following table summarises the main terms and conditions of the bond issued:

	Currency	Issue amount (Euro)	Redemption Nominal Value (Euro)	Interest rate and coupon timing	Issue date	Expiry date	Issue price per bond (Euro)
"Mittel S.p.A. 2013-2019" bonds subscription public offer (OPSO)	Eur	72.867.561	73.977.220	yearly 6,00% coupon paid every six months on a deferred basis	**12/07/13**	**12/07/19**	**1,75**
"Mittel S.p.A. 2013-2019" bonds public exchange offer (OPSC)	Eur	25.876.302	25.876.302				
		98.743.863	**99.853.522**				

For the purposes of drawing up the half-yearly consolidated financial statements, no separate value was recognised for the right to partial early redemption in the fourth and/or fifth year of the term of the bond issue, for an amount of 25% or 50% of the nominal value of the bonds for each year of partial early redemption, without prejudice to the maximum limit of 50% of the nominal value which may overall be subject to early redemption based on a partial early redemption price in the fourth year at 102% of the nominal value and in the fifth year at 101% of the nominal value. This right pertains to a call option for early redemption incorporated in a host debt contract represented by the bond issue, which may influence the redemption cash flows, with regard to the trend in the benchmark interest rates and based on its economic characteristics. The issuer’s call option can be measured based on the difference between the fair value of the embedded instrument (equal to the product of the amount of principal redeemed and the effective interest rate spread of the host debt compared to the interest rate perceptible at the date of early redemption, which may be reinvested in an equivalent contract for the term of redemption of the host debt) and the fair value of the host contract. Nonetheless, the lender of the host instrument (the bondholders) has no influence on the issuer’s call option. Therefore, the option should be deemed strictly correlated to the host financial instrument, and impossible to record separately in the accounts from the host debt.

21. Financial payables

As at 31 March 2017, the item amounted to EUR 3,1 million, an increase of EUR 0,8 million over 30 September 2016.

The item is composed as follows:

	31.03.2017	30.09.2016
Bank loans	854	-
Other loans	-	-
Financial lease payables	-	-
Other financial payables	2.279	2.280
	3.133	**2.280**

The increase in the item "bank loans" is attributable to the contribution from the Zaffiro Group and refers to the non-current portion of bank loans due in June 2018 (EUR 225 thousand) and March 2022 (EUR 629 thousand).

The item other financial payables comprise third-party shareholder loans received from Lucianita S.r.l. for EUR 0,3 million and Santarosa S.r.l. for EUR 0,1 million, and from loans received from third parties who were formerly shareholders, i.e. Fede S.r.l. for EUR 0,1 million, Mi.Va S.r.l. for EUR 1,6 million and Gamma Tre S.r.l. for EUR 0,2 million.

22. Other financial liabilities

This item amounted to EUR 7,4 million, zero as at 30 September 2016, and was composed as follows:

	31.03.2017	30.09.2016
Derivative financial instruments	-	-
Other financial liabilities	7.442	-
	7.442	**-**

The item "other financial liabilities", recognised in relation to the acquisition transaction for the equity investment in the Zaffiro Group, refers to the best estimate as at the acquisition date of the fair value of the price in reference to the contractually agreed amount which will be due to the seller at the future values of profit achieved by the acquired group companies.

23. Provisions for personnel

As at 31 March 2017, the item amounted to EUR 2,7 million, an increase of EUR 1,3 million, and was composed as follows:

	31.03.2017	30.09.2016
Employee severance indemnity	2.669	1.430
Other allowances	-	-
	2.669	**1.430**

Employee severance indemnity, which includes indemnities accrued by employees, already net of employee advances, refers to the Parent Company and the subsidiaries.

The change in the item during the year is as follows:

	31.03.2017	30.09.2016
Opening balances	**1.430**	**1.750**
Increases:		
- Allocation for the period	366	238
- Increase due to business combination	1.431	-
- Other increases	171	111
Decreases:		
- Utilisations	(224)	(620)
- Other decreases	(506)	(50)
	2.669	**1.430**

The item “increase due to business combinations” refers to the contribution of the Zaffiro Group.

The valuation was performed on the basis of IAS 19, given that Employee Severance Indemnity is similar to a “post-employment benefit” of the “defined benefit plan” type, whose amount already accrued must be projected in the future to estimate the amount to be paid when the employment relationship ends and must then be discounted, using the “Projected unit credit method”, to take account of the time that will elapse before the actual payment.

The actuarial assumptions adopted refer to:

a) assumptions regarding the causes of exit from the Group: death, total and permanent disability, staff turnover, such as resignations, dismissals and retirement due to seniority and old age;

b) economic and financial assumptions: rate of discounting of future services; salary growth curve, which determines the trend in remuneration; annual inflation and the rate of return recognised annually on accrued employee severance indemnity;

c) additional assumptions were formulated on the frequency of advances on employee severance indemnity, on tax withholdings and, on the whole, on the legislation in force.

All assumptions used in the valuations, given the small sample size of the community in question, were based on market experiences, and reflect the current corporate, legislative and existing market conditions at the valuation date, and are based on the assumption of the parent and group companies as going concerns.

AA-rated EUR Composite rates were used for discounting.

As regards the quantification of employee severance indemnity, governed by art. 2120 of the Italian Civil Code, a portion of 7,41% of the amount of projected remuneration was calculated for each year of service, valid for employee severance indemnity purposes and due for the same year. The contribution to the employee severance indemnity (TFR) guarantee fund established at INPS (National Social Security Institute) is deducted from this amount.
The amount of salary projected in future years has been estimated, for each employee, annually increasing the salary of the year to which the valuation refers, valid for employee severance indemnity purposes, based on the projected inflation rate (1% for 2016, 1,5% for 2017/2018 and steady at 2% by 2019 and beyond) and other contractual increases. The projections also take account of any employee severance indemnity additions, communicated by the Parent Company.
For revaluation purposes, with the exclusion of the portion accrued in the year, employee severance indemnity is increased each year through the application of a rate with a fixed component of 1,50% and a variable component of 75% of the projected inflation rate. Substitute income tax of 17% is applied on annual returns (this rate was raised from 11% to 17% due to the legislative amendment pursuant to paragraph 623, art. 1 of Law no. 190 of 23 December 2014 – ‘Stability Law’).
For each of the basic assumptions, an analysis is performed of the effect on the results of actuarial evaluations of a 10% increase or decrease in said amount. One amount was varied at a time, without prejudice to all other amounts.

24. Deferred tax liabilities

These amounted to EUR 7,7 million and include deferred taxes calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

The item is composed as follows:

	31.03.2017	30.09.2016
Tax liabilities recognised in profit or loss	6.142	6.541
Tax liabilities recognised in equity	1.580	2.954
	7.722	**9.495**

	31.03.2017	30.09.2016
Deferred liabilities		
Receivables	5.557	5.414
Assets/liabilities held for sale	172	214
Investments	-	-
Property, plant and equipment/intangibles assets	1.931	3.863
Other assets/liabilities	62	4
Other	-	-
	7.722	**9.495**

This item primarily included (i) EUR 5,6 million in deferred taxes calculated on the adjustment to the receivable due to Ghea S.r.l. from Bios S.p.A., (ii) EUR 1,9 million from the contributions to the consolidation by Fashion District Group S.r.l. in liquidation (EUR 1,3 million), as a result of the tax gain realised on disposal of the Mantova and Molfetta property complexes, and Fashion District Roma S.r.l. in liquidation (EUR 0,6 million), as a result of the sale of its business unit, and (iii) EUR 0,2 million contributed by the parent Mittel S.p.A.

Changes in the item tax liabilities recognised in profit or loss are as follows:

	31.03.2017	30.09.2016
Opening balance	**6.541**	**10.995**
Increases	**171**	**474**
Deferred taxes recorded in the period:	**-**	**87**
- relating to previous years	-	-
- other	-	87
Increases in tax rates	-	-
Other increases	171	386
Decreases	**(570)**	**(4.928)**
Deferred taxes cancelled in the period:	**-**	**(641)**
- reversals	-	(641)
Decreases in tax rates	-	(163)
Other reductions	(570)	(4.124)
	6.142	**6.541**

Changes in the item tax liabilities recognised in equity are as follows:

	31.03.2017	30.09.2016
Opening balance	**2.954**	**6.703**
Increases	**30**	**-**
Deferred taxes recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	30	-
Decreases	**(1.405)**	**(3.748)**
Deferred taxes cancelled in the period:	**(1.372)**	**(2.944)**
- reversals	(1.372)	(2.944)
Decreases in tax rates	-	(600)
Other reductions	(33)	(205)
	1.580	**2.954**

The changes in the table above partly feeds the amount of deferred tax liabilities in note 48 of the explanatory notes, "Income taxes", as a result of the reversal of deferred taxes relating to the subsidiary Fashion District Group S.r.l. in liquidation which, despite being recognised in equity, will be reversed through profit or loss.

25. Provisions for risks and charges

As at 31 March 2017, the item amounted to EUR 1,7 million, a decrease of EUR 0,1 million, and was composed as follows:

	31.03.2017	30.09.2016
Provision for risks:		
Legal disputes	-	-
Disputes with personnel	-	-
Contractual disputes	920	903
Other disputes	751	521
Other provisions:		
Expenses for personnel	-	-
Other expenses	32	332
	1.702	**1.756**

The item saw the following changes:

	31.03.2017	30.09.2016
Opening balance	**1.756**	**5.397**
Increases:		
Allocation	140	982
Other increases	179	-
Decreases:		
Utilisations	(373)	(1.466)
Other decreases	-	(3.157)
	1.702	**1.756**

The item Provision for risks and charges is composed mostly of allocations made by the Parent Company Mittel S.p.A. for EUR 0,9 million, Fashion District Group S.r.l. in liquidation for EUR 0,5 million, the Zaffiro Group for EUR 0,2 million and by the advisory sector for EUR 0,1 million.

The provision of the Parent Company Mittel S.p.A., of EUR 0,9 million, is mainly attributable to allocation on the basis of the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37).
The provision of Fashion District Group S.r.l. in liquidation relates to an ICI tax (local property tax) dispute in reference to the classification of properties in Molfetta and the related land registry value assigned, as well as to a dispute with a former employee.

26. Sundry payables and other non-current liabilities

These amounted to EUR 0,1 million, down by EUR 0,4 million compared to 30 September 2016. The item mainly refers to advances and earnest money received in reference to the real estate sector and outlets sector.

Current liabilities

27. Bond issue

This item amounts to EUR 1,3 million and refers to the interest accrued in the period from 12 January 2017, the coupon registration date of the bond loan, to the date of these half-yearly consolidated financial statements.

28. Financial payables

These amounted to EUR 74,4 million, down by EUR 3,5 million compared to 30 September 2016.

The item is composed as follows:

	31.03.2017	**30.09.2016**
Bank loans	67.242	71.815
Current portion of medium/long-term bank loans	5.627	6.057
Other loans	1.500	-
Other financial payables	-	-
	74.369	**77.872**

Bank loans are composed of hot money or other short-term credit facilities granted by leading banks, regulated at rates indexed to the 1-3 month Euribor with short-term expiry, of which EUR 62,0 million relating to Mittel and EUR 5,0 million relating to Mittel Investimenti Immobiliari S.r.l.
The overall contribution of the Parent Company to the item Financial payables comprises hot money, except for one credit facility of EUR 25 million with current account use for EUR 23,1 million. The portion attributable to Mittel Investimenti Immobiliari S.r.l. refers entirely to hot money loans.
The current portion of medium/long-term bank loans is attributable to the Parent Company for EUR 4,1 million and to the Zaffiro Group for the remaining EUR 1,6 million, in reference to loans falling due in June 2018 and March 2022.

The item “Other loans” entirely refers to loans taken out by the Zaffiro Group, none of which exceeding 3 months.

29. Other financial liabilities

These totalled EUR 5,0 million. The item is composed as follows:

	31.03.2017	30.09.2016
Derivative financial instruments	-	-
Other financial liabilities	5.000	-
	5.000	**-**

The item “other financial liabilities”, recognised in relation to the acquisition transaction for the equity investment in the Zaffiro Group, refers to the best estimate as at the acquisition date of the fair value of the price in reference to the price adjustments payable in the short term.

30. Current tax liabilities

As at 31 March 2017, the item amounted to EUR 254 thousand, an increase of EUR 241 thousand compared to the previous year. The outstanding tax liabilities break down as follows:

	31.03.2017	30.09.2016
IRES (corporate income tax)	-	-
IRAP (regional business tax)	254	13
Other	-	-
	254	**13**

The item showed the following changes:

	31.03.2017	30.09.2016
Opening balance	**13**	**1.492**
Increases	**242**	**13**
Current tax liabilities recorded in the year:	**-**	**13**
- relating to previous years	-	-
- other	-	13
Other increases	242	-
Decreases	**-**	**(1.492)**
Current tax liabilities cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	-	(1.492)
	254	**13**

The tax liability is attributable mainly to the Zaffiro Group for EUR 0,2 million.

31. Sundry payables and other liabilities

This item amounted to EUR 18,2 million, up by EUR 8,2 million compared to the previous year. The item is composed as follows:

	31.03.2017	30.09.2016
Trade payables	3.371	3.106
Tax payables	456	331
Payables relating to employees	1.662	567
Payables due to directors and statutory auditors	361	569
Payables due to social security institutions	591	190
Other payables	11.377	4.958
Accrued expenses and deferred income	362	273
	18.180	**9.994**

The item “Trade payables” mainly includes the payables recorded by the parent company Mittel for invoices received and to be received (EUR 1,3 million), the payables of real estate companies for the respective property projects in place (EUR 0,6 million), the payables of Fashion District Group S.r.l. in liquidation (EUR 0,1 million), the payables of the advisory sector (EUR 0,3 million) and, lastly, the payables of the Zaffiro Group (EUR 0,9 million).
“Payables relating to employees” and “Payables due to social security institutions” both recorded a considerable increase, due essentially to the consolidation of the Zaffiro Group.
The item “other payables” mainly includes: for EUR 1,0 million, the advances and earnest money received from the real estate companies in relation to their sale activities; for EUR 3,6 million, the distributions of Fondo Equinox received by Mittel S.p.A. (EUR 1,3 million) and Earchimede S.p.A. (EUR 2,3 million), not yet formally and definitively assigned as income for subscribers; for EUR 0,2 million, the debt owed by Mittel Investimenti Immobiliari S.r.l. to RRE S.p.A. in liquidation (RRE) following the purchase of the latter’s quotas of Iniziative Nord Milano S.r.l. and its receivable due from the investee; and for EUR 6,3 million, the amount received by the Parent Company in relation to a tax dispute which it was decided should be suspended from regular accounts pending confirmation of the collection in a final judicial decision.

Information on the Consolidated Income Statement

32. Revenue

The breakdown of revenue is shown below, with the main types highlighted:

	31.03.2017	31.03.2016	30.09.2016
Revenue from property sales	7.671	1.499	5.561
Revenue from rent	139	173	309
Revenue from provision of services	7.768	343	465
Other revenue	4.133	1.081	1.650
	19.711	**3.096**	**7.985**

The item revenue from property sales is composed of revenue from sales of properties. In particular, the item is composed of the contribution made by Lucianita S.r.l. for EUR 2,4 million (EUR 0,7 million as at 31 March 2016), Iniziative Nord Milano S.r.l. for EUR 1,5 million, Santarosa S.r.l. for EUR 2,2 million and Mittel Investimenti Immobiliari S.r.l. for EUR 1,5 million (EUR 0,4 million as at 31 March 2016).

The item revenue from rent relates to rents received on existing lease agreements by other real estate companies in the Group, and charges made by Mittel S.p.A. for the lease of offices owned.

Revenue from provision of services refers almost exclusively to that recorded by the Zaffiro Group in relation to its core business activities.

Other revenue mainly comprises EUR 0,9 million in revenue from advisory services performed by Mittel Advisory S.r.l., EUR 0,6 million for the activities performed by Mittel Advisory Debt & Grant S.p.A. and EUR 2,6 million as the contribution from the Zaffiro Group.

33. Other income

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Recoveries of various expenses	-	-	-
Prior year income	204	297	845
Income from elimination of assets	239	-	-
Other revenue and income	134	118	887
	577	**415**	**1.732**

The item “prior year income” refers mainly to the retention of deposits following the non-finalisation of real estate sector sales contracts.
Income from elimination of assets refers largely to the contribution from the parent company Mittel for the sale of agricultural land in the municipality of Naples.
Other revenue and income, mainly attributable to Mittel S.p.A., includes EUR 0,1 million collected as the price increase on the disposal last year of the equity investment in Brands Partners 2 S.p.A. in liquidation.

34. Variations in property inventories

The breakdown of revenue is shown below, with the main types highlighted:

	31.03.2017	31.03.2016	30.09.2016
Increases in property inventories	501	2.094	2.470
Decreases in property inventories	(6.682)	(1.229)	(5.260)
Impairment losses in property inventories	-	-	(7.240)
	(6.181)	**865**	**(10.030)**

As regards the changes in this item, see the information set forth in the tables and comments under the item Property inventories.

35. Costs for purchases

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Purchases and property increases	(1.186)	(1.501)	(2.103)
Provision of services and consultancy	(267)	(78)	(119)
Urbanisation expenses	-	(17)	(46)
Registration tax	-	-	-
Insurance	(2)	(14)	(28)
Maintenance	(22)	(12)	(3)
Other	(92)	(27)	(5)
	(1.568)	**(1.648)**	**(2.304)**

Costs for purchases recorded a decrease despite entry of the Zaffiro Group, which contributed a total of EUR 0,7 million to this item. This decrease is attributable to the completion of a number of real estate initiatives this year, particularly Santarosa S.r.l. (EUR 0,9 million less), Mittel Investimenti Immobiliari S.r.l. (EUR 0,5 million less), Miva S.r.l. (EUR 0,1 million less), as well as the closing down of the Loft S.r.l. point of sale at the Valmontone shopping centre (EUR 0,2 million).

In addition to the Zaffiro Group contribution, the item costs for purchases mainly refer to Santarosa S.r.l. for EUR 0,1 million, Gamma Tre S.r.l. for EUR 0,2 million, Lucianita S.r.l. for EUR 0,1 million and Miva S.r.l. for EUR 0,1 million.

36. Costs for services

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Legal consultancy	(514)	(955)	(1.214)
Notary consultancy	(79)	(76)	(118)
Other consultancy	(1.337)	(947)	(1.886)
Commission and advisory expenses	-	-	-
General services and maintenance	(1.138)	(731)	(1.420)
Administrative, organisational and audit services	(73)	(1)	(3)
Cost of temporary workers	(33)	(12)	(26)
Directors' fees	(904)	(694)	(1.776)
Board of Statutory Auditors’ fees	(135)	(136)	(262)
Supervisory Body’s fees	(57)	(68)	(122)
Fees for prosecutors and Manager in charge	(8)	(8)	(16)
Rentals	(1.954)	(1.088)	(1.871)
Leases	(21)	(9)	(38)
Insurance	(205)	(239)	(447)
Utilities	(563)	(126)	(330)
Advertising	(44)	(27)	(44)
Others	(57)	(40)	(64)
	(7.120)	**(5.158)**	**(9.638)**

The total for this item was increased by the contribution of the Zaffiro Group for EUR 3,1 million, EUR 1,7 million in which as an increase in the item “Leases”, EUR 0,4 million in “Utilities”, EUR 0,4 million in “General services and maintenance”, EUR 0,3 million in “Directors' fees” and EUR 0,1 million in “Other consultancy”.

The increase in “Other consultancy” is also attributable to services provided to Zorro S.r.l. during the transaction for acquisition of the investment in Gruppo Zaffiro S.r.l.

In addition to the Zaffiro Group, contributors to this item are Mittel S.p.A. (EUR 2,0 million), the advisory sector (EUR 0,7 million), the Real Estate sector (EUR 0,8 million) and Zorro S.r.l. (EUR 0,5 million).

37. Personnel costs

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Wages and salaries	(5.073)	(2.238)	(4.001)
Social security costs	(1.495)	(821)	(1.400)
Employee termination indemnity	(236)	-	-
Pension costs	-	-	-
Allocation to employee severance indemnity	(344)	(108)	(213)
Allocation to retirement fund and similar obligations	-	-	-
Payments to external supplementary pension funds	(12)	(10)	(18)
Other personnel costs	(160)	(653)	(995)
	(7.320)	**(3.829)**	**(6.627)**

Personnel costs recorded an increase due to the contribution from the Zaffiro Group of EUR 4,8 million. In particular, in addition to the Zaffiro Group, personnel costs included EUR 1,0 million as the contribution of the Advisory Sector (EUR 1,0 million as at 31 March 2016), EUR 0,1 million of Mittel Investimenti Immobiliari S.r.l. (EUR 0,3 million as at 31 March 2016) and EUR 1,4 million of the Parent Company Mittel (EUR 2,0 million as at 31 March 2016).

Average number of Group employees broken down by category:

	Exact number 31 March 2017	Average in the year 2015/2016	Average in the year 2015/2016
Managers	4	7	7
Officials	16	17	15
Employees	441	440	44
Total	**461**	**464**	**66**

The increase in the number of employees is entirely attributable to the contribution of the Zaffiro Group.

38. Other costs

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Taxes and duties	(804)	(995)	(1.904)
Losses on receivables	-	(1)	(38)
Capital losses from transfer of property, plant and equipment	-	(71)	(139)
Prior year expenses	(144)	(613)	(1.179)
Other sundry operating expenses	(297)	(224)	(1.678)
	(1.245)	**(1.904)**	**(4.938)**

The item taxes and duties registered a decrease of EUR 0,2 million, and is mainly composed of taxes of EUR 0,5 million for Mittel S.p.A. and taxes of EUR 0,2 million for the Real Estate sector.
The contributors to the item prior year expenses were the Zaffiro Group, Mittel S.p.A. and the Real Estate sector.
Other operating expenses refer mainly to the Parent Company (EUR 0,2 million) and the real estate sector.

39. Dividends

There was no change in this item during the period, but a breakdown is in any event provided in the following table:

	31.03.2017	31.03.2016	30.09.2016
Dividends from financial assets held for trading	-	7	63
Dividends from available-for-sale financial assets	-	14	496
Dividends from financial assets at fair value	-	-	-
Dividends from investments	-	-	341
Other	-	-	-
	-	**21**	**900**

40. Profit (loss) from management of financial assets and investments

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Available-for-sale financial assets			
Capital gains	390	1.109	-
Profits from fair value measurement	-	-	-
Other income	-	-	6.820
Capital losses	-	-	-
Losses from fair value measurement	-	-	-
Other	-	-	-
Capital gains (losses) from transfer of receivables	**-**	**-**	**43**
Capital gains (losses) from transfer of investments	**3.841**	**-**	**962**
Capital gains (losses) from change in equity interest	**-**	**-**	**-**
Reversals/impairment losses on equity	**-**	**-**	**-**
	4.231	**1.109**	**7.825**

The capital gains are attributable to the sales of shares held by Mittel S.p.A.
The item "Capital gains (losses) from transfer of investments" refers entirely to Mittel S.p.A.'s deconsolidation of Castello SGR S.p.A for around EUR 3,3 million and the sale of residual shares held in Credit Access Asia N.V. for EUR 0,6 million.

41. Amortization

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Intangible assets			
Amortization	(25)	(54)	(113)
Impairment losses	-	(3)	-
Reversals of impairment losses	-	-	-
Property, plant and equipment			
Amortization of investment property	-	-	-
Amortization of other assets owned	(401)	(97)	(208)
Amortization - finance leases	-	-	-
Impairment losses	-	-	-
Reversals of impairment losses	-	-	-
Assets relating to finance leases	**-**	**-**	**-**
	(426)	**(155)**	**(321)**

For more details see the detailed description in the item intangible assets and property, plant and equipment in these half-yearly financial statements.

42. Allocations to the provision for risks

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Provisions for ongoing disputes:			
for legal disputes	-	-	-
for expenses for personnel	-	-	-
Provision for contractual disputes	3	(150)	(231)
Provision for restructuring expenses	-	-	-
Other provisions	-	-	(134)
	3	**(150)**	**(365)**

The item “Provision for contractual disputes” refers for EUR 55 thousand to the amount allocated by Mittel Advisory S.r.l., EUR 80 thousand to the allocation by Mittel S.p.A. and EUR 143 thousand as the release of provisions by Miva S.r.l. in recent years following the retention of deposits collected due to failure to finalise sales contracts.

43. Value adjustments to financial assets, loans and receivables

The breakdown of the item is shown in the following table:

	31.03.2017	31.03.2016	30.09.2016
Impairment losses on financial receivables	(56)	-	(13.694)
Impairment losses on other receivables	(17)	(18)	(7.339)
Impairment losses on available-for-sale financial assets	(1.035)	(249)	(2.500)
Impairment losses on non-current assets held for sale	-	-	-
Reversals of impairment losses on financial assets	-	-	-
	(1.109)	**(267)**	**(23.533)**

The impairment losses on available-for-sale financial assets relate, for EUR 0,8 million to the adjustment of the value recorded by the Parent Company Mittel S.p.A. in relation to Fondo Augusto (EUR 0,7 million) and Fondo Equinox Two Sca (EUR 0,1 million), and for EUR 0,2 million to those recorded by Earchimede S.p.A. in reference to Fondo Equinox Two Sca.

44. Share of income (loss) of investments accounted for using the equity method

This item includes the pro-rata profit/(loss) of the net result of companies valued using the equity method, including any impairment or any impairment losses/reversals of impairment on investments measured using the equity method.

The item is composed as follows:

	31.03.2017	31.03.2016	30.09.2016
Pro-rata profits			
Brands Partners 2 S.p.A. in liquidation			-
Castello SGR S.p.A.	225	25	478
Mit-Fin S.p.A.			
Superpartes S.p.A.	8	2	
Tower 6 Bis Sarl			12.799
Liberata S.p.A./Mittel Generale Investimenti S.p.A.			23
Bios S.p.A.			12.060
	233	**27**	**25.360**
			-
Pro-rata losses			**-**
Chase Mittel Capital Holding II N.V. in liquidation			(6)
Tower 6 Bis Sarl	(86)	(191)	
Mit-Fin S.p.A.	(5)	(39)	(92)
Liberata S.p.A.		(318)	
Superpartes S.p.A.			(20)
Liberata S.p.A./Mittel Generale Investimenti S.p.A.		(128)	
	(91)	**(676)**	**(118)**
	142	**(649)**	**25.242**

45. Financial income

The item is composed as follows:

	31.03.2017	31.03.2016	30.09.2016
Bank interest income	90	63	166
Interest income on financial receivables	2.268	3.044	5.912
Other interest income	75	178	344
Other financial income	23	36	219
	-	-	-
Hedging activities	-	-	-
Fair value hedging derivatives	-	-	-
Exchange rate gains	-	6	-
	2.456	**3.327**	**6.642**

Interest income on financial receivables relates mainly to Ghea S.r.l.'s loan to Bios S.p.A. (EUR 0,8 million), the EUR 1,5 million contribution of the parent company Mittel S.p.A. for positions referring to Montini S.p.A. (EUR 0,5 million), Fondo Augusto (EUR 0,2 million) and Liberata S.p.A. (EUR 0,7 million). The item "other interest income" refers almost exclusively to interest accrued by the Parent Company on the receivable due from Fingruppo Holding.

46. Financial expenses

The item is composed as follows:

	31.03.2017	31.03.2016	30.09.2016
Interest expense on bonds	(3.289)	(3.285)	(6.622)
Interest expense on bank current accounts	(16)	(29)	-
Interest expense on bank loans	(655)	(1.075)	(1.993)
Interest expense on other loans	(2)	-	-
Other interest expenses	(6)	(10)	(36)
Other financial expenses	(163)	(217)	(317)
Hedging activities			
Fair value hedging derivatives	-	-	-
Exchange rate losses	-	-	(5)
	(4.131)	**(4.616)**	**(8.973)**

The item interest expense on bonds includes the interest expense connected with the issue of the Mittel S.p.A. 2013-2019 bond for the period covered by these half-yearly consolidated financial statements.
Interest expense on bank loans is attributable almost entirely to Mittel S.p.A., whilst the financial expenses mainly refer to the Zaffiro Group.

47. Profit (loss) from trading of financial assets

The item is composed of the contribution from Mittel S.p.A as a result of profit realised on the listed securities held by said entity as well as the higher value of said securities based on the differential between the purchase value and their value as at 31 March 2017.

	31.03.2017	31.03.2016	30.09.2016
Gains/losses on disposal of securities (current)	82	237	212
Capital gains/ losses on securities valuation (current)	145	(511)	(394)
Derivative financial instruments	-	186	243
	227	**(88)**	**61**

48. Income taxes

The amount is composed as follows:

	31.03.2017	31.03.2016	30.09.2016
IRES (corporate income tax)	(1)	(3)	9
IRAP (regional business tax)	(119)	(78)	(11)
Taxes of previous years	(61)	(1)	(8)
Total current taxes	**(181)**	**(82)**	**(11)**
Deferred tax liabilities	1.794	2.278	8.080
Deferred tax assets	(1.025)	(1.146)	(3.330)
Total deferred taxes	**768**	**1.132**	**4.750**
Other taxes	-	-	-
Total income taxes	**588**	**1.050**	**4.739**

The reversal to the income statement of deferred tax liabilities was determined for EUR 1,3 million to the release of tax assets by Fashion District Group S.r.l. in liquidation, relating to the capital gain from disposal of the Mantua and Molfetta outlets, for which deferred taxes had been allocated against the deferred receipt of the capital gains, and for EUR 0,6 million to the release of deferred taxes by Fashion District Roma S.r.l. in liquidation for the capital gain on definitive disposal of business unit of the Valmontone (RM) outlet. The impact on the income statement was mitigated by the allocation of deferred tax liabilities in relation to the value adjustment to the receivable owed to Ghea S.r.l. by Bios S.p.A.
The deferred tax assets are instead attributable mostly to the release by Fashion District Group S.r.l. in liquidation in relation to the reversal of prior years' losses in the period ended 31 March 2017.

49. Income (loss) pertaining to non-controlling interests

The item is composed as follows:

	31.03.2017	31.03.2016	30.09.2016
Profit (loss) for the period pertaining to non-controlling interests	(80)	(430)	(7.098)
	(80)	**(430)**	**(7.098)**

50. Basic and diluted earnings (loss) per share

As set forth in IAS 33, the Mittel Group shows basic earnings per share calculated as net income for the period attributable to the Parent Company divided by the weighted average number of shares outstanding in the period; diluted earnings are calculated by adjusting profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. to take account of the effects of all potential ordinary shares with a dilutive effect.

In particular, basic and diluted earnings (losses) per share were calculated as follows:

- *Basic earnings or loss per share:*

Basic earnings or loss per share is determined by dividing the profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. by the weighted average of ordinary shares outstanding during the period, therefore excluding treasury shares held by the Group from the denominator.

- *Diluted earnings or loss per share:*

As required by IAS 33, diluted earnings (loss) per share takes into account the effects of all potential ordinary shares with a dilutive effect in the calculation of shares outstanding.

Basic and diluted earnings or loss per share attributable to the Parent Company as at 31 March 2017, compared with the first half of the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in EUR)	31.03.2017	31.03.2016
From income statement:		
- Basic	(0,014)	(0,103)
- Diluted	(0,014)	(0,103)
From comprehensive income:		
- Basic	(0,239)	(0,485)
- Diluted	(0,239)	(0,485)

Reconciliation of the weighted average number of shares outstanding for the purposes of the calculation of diluted earnings or loss per share from the consolidated income statement and from the statement of comprehensive income for the period ended 31 March 2017, compared with the corresponding period of the previous year, is as follows.

Basic earnings or loss per share

During the half year ended 31 March 2017, the number of shares outstanding changed as follows:

Basic earnings/(loss) per share attributable to the Parent Company	31.03.2017	31.03.2016
(no. ordinary shares)		
No. of shares at start of the period	87.907.017	87.907.017
Average weighted number of ordinary shares subscribed in the period	-	-
No of treasury shares at start of the period	(12.357.402)	(15.308.706)
Average weighted number of treasury shares acquired in the period		-
Average weighted number of treasury shares sold in the period		6.598.305
Average weighted number of shares outstanding at the end of the period	**75.549.615**	**79.196.616**

During the half year ended 31 March 2017, the number of shares outstanding did not change.

The basic earnings or loss per share attributable to the Parent Company as at 31 March 2017, compared with the first half of the previous year, are as follows:

Net profit/(loss) attributable to the Parent Company	**(1.085)**	**(8.151)**
Eur		
Basic earnings/(loss) per share attributable to the Parent Company	**(0,014)**	**(0,103)**

The comprehensive basic earnings or loss per share attributable to the Parent Company as at 31 March 2017, compared with the first half of the previous year, are as follows:

Total net profit/(loss) comprehensive attributable to the Parent Company	**(18.046)**	**(38.400)**
Eur		
Total basic earnings/(loss) comprehensive per share attributable to the Parent Company	**(0,239)**	**(0,485)**

Diluted earnings or loss per share

Presence of a Stock Appreciation Rights assignment plan which affects the determination of the number of shares to be used in the calculation of diluted earnings per share;

As at 31 March 2017, the shares for potential issue refer solely to shares assigned against the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares reserved for the Chief Executive Officer of Mittel S.p.A. and other Group employees.
The amounts expected to derive from these instruments as a result of treasury share-based payments are considered as if they had been received from an issue of ordinary shares at the average market price of ordinary shares during the period. Consequently, the difference between the number of ordinary shares actually issued and the number of ordinary shares potentially issuable at the average market price of ordinary shares during the period is to be considered an issue of ordinary shares free of charge.
The instruments for the SAR arrangements offered at fixed or calculable terms and the ordinary shares not assigned are treated as options in calculating the diluted earnings per share, even if they could be subordinated to assignment and considered to be outstanding as at the assignment date. In particular, the options offered on the basis of work or service performance are treated as potentially issuable shares as their issue is subject to certain terms being satisfied as well as over time.

For the half year ended 31 March 2017, the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares was not taken into consideration for the diluted EPS calculation as they would have anti-dilutive effects.
In addition, the profit/loss pertaining to the Group as at 31 March 2017 was not adjusted to take into account the dilutive effects from theoretical exercise of the inventive plan based on the assignment of SARs on owned equities as, for the half year, it would be anti-dilutive.

Furthermore, the earnings or loss per share values recognised do not require adjustment due to any transactions involving ordinary shares or potential ordinary shares after the end of the half year as at 31 March 2017 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

51. Consolidated net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with the Recommendation of CESR dated 10 February 2005 “Recommendations for the consistent implementation of the regulation of the European Commission on prospectuses”, it should be noted that the net position of the Mittel Group as at 31 March 2017 was a negative EUR 62,5 million, as shown in the table below:

(Thousands of Euro)	31.03.2017	30.09.2016	Variation
Cash	34	15	18
Other cash equivalents	95.977	84.974	11.002
Securities held for trading (*)	8.589	6.909	1.679
Current liquidity	**104.599**	**91.899**	**12.700**
Current financial receivables	**22.294**	**32.951**	**(10.656)**
Current bank payables	(67.242)	(71.815)	4.573
Current portion of medium/long-term bank loans	(5.627)	(6.057)	430
Bonds	(1.298)	(1.310)	12
Other current financial payables	(6.500)	-	(6.500)
Current financial debt	**(80.667)**	**(79.182)**	**(1.485)**
Net current financial debt	**46.227**	**45.668**	**559**
Non-current bank payables	(854)	-	(854)
- Bank payables expiring in the medium-term	(854)	-	(854)
- Bank payables expiring in the long-term	-	-	-
Bonds issued	(98.179)	(97.873)	(305)
Other financial payables	(9.721)	(2.280)	(7.442)
Non-current financial debt	**(108.753)**	**(100.153)**	**(8.600)**
Net financial position	**(62.527)**	**(54.485)**	**(8.042)**

(*) Available-for-sale assets posted under current assets were reclassified to this item.

As regards the determination of the net financial position, please refer to the Directors' Report on Operations for these financial statements. Moreover, in compliance with the indications of Consob Communication no. 6064293 of 28 July 2006 relating to the impact of transactions or positions with related parties on the net financial position, refer to the financial statement tables drawn up pursuant to Consob Resolution no. 15519 of 27 July 2006. Specifically, the significant items pertaining to the net financial position, which include balances to/from related parties, are current and non-current financial receivables and non-current financial payables. For details of these, please refer to note 53 of this report.

52. Commitments and guarantees

As at 31 March 2017, the guarantees given can be summarised in the following table:

	31.03.2017	30.09.2016
Guarantees:		
financial	-	-
commercial	10.249	10.715
assets pledged as collateral	-	-
Commitments:		
disbursement of funds	4.347	5.867
other irrevocable commitments	2.910	3.069
	17.506	**19.651**

Commercial guarantees refer (i) for EUR 4,3 million to the contribution of the Real estate sector, composed of sureties for primary urbanisation works requested by the Municipalities of Milan and Como, (ii) for EUR 5,5 million to Mittel S.p.A., referring to sureties in favour of the Italian Revenue Agency for VAT for which a refund/offset was requested (EUR 5,1 million) and to a surety issued for the rental of its offices (EUR 0,4 million) and (iii) for EUR 0,4 million to Fashion District Group S.r.l. in liquidation for sureties issued for VAT reimbursements.

Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles.

The item other irrevocable commitments refers to the guarantee given in the years 2003, 2004 and 2005 in favour of the acquirers of lease contracts transferred by the subsidiary Locaeffe S.r.l. (in liquidation).

53. Intercompany transactions and transactions with related parties

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during the half-year 1 October 2016 to 31 March 2017, transactions were entered into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out.

All transactions were performed at arm's length and refer to:

	Directors, Statutory auditors and internal committees	Associates	Other related parties	Total
Non-current assets				
Financial receivables	-	47.079	10.000	**57.079**
Current assets				
Financial receivables	-	16.253	878	**17.131**
Sundry receivables and other assets	-	101	-	**101**
Current liabilities				
Sundry payables and other liabilities	361	-	-	**361**
Income Statement				
Revenue	-	78	-	**78**
Other income	-	21	-	**21**
Costs for services	(1.047)	-	(1.649)	**(2.696)**
Personnel costs	(156)	-	-	**(156)**
Financial income	-	1.494	175	**1.669**

- Non-current financial receivables refer to loans granted by Ghea S.r.l. to Bios S.p.A. (EUR 19,9 million) and by Mittel S.p.A. to Liberata S.p.A. (EUR 27,1 million). Receivables due from other related parties (EUR 10 million) relate to the loan in place with "Fondo Augusto", a closed-end investment fund reserved for qualified investors, of which Mittel S.p.A. is a subscriber.

- Current financial receivables refer for EUR 16,3 million to the current portion of the loan granted by Ghea S.r.l. to Bios S.p.A. Current financial receivables with other related parties (EUR 0,1 million) relate to the current portion (interest) of the loan of Mittel S.p.A in place with "Fondo Augusto", a closed-end investment fund reserved for qualified investors, of which Mittel S.p.A. is a subscriber and to the loan (EUR 0,8 million) granted by Gruppo Zaffiro S.r.l. to Zaffiro Holding S.p.A.

- Sundry receivables and other assets mainly comprise EUR 0,1 million in receivables for invoices issued by Mittel S.p.A. to Mittel Generale Investimenti S.r.l.

- The item sundry payables and other current liabilities refers to the amount due to directors and statutory auditors for fees accrued but still to be paid.

- The items Revenue and Other income refer to the chargeback of administrative services and direct debit services provided to third parties.

- The item costs for services refers to EUR 0,9 million in directors' fees and EUR 0,1 million in fees to the Board of Statutory Auditors. Costs for services to other related parties for EUR 1,4 million refer to rent paid by the Zaffiro Group to Rubino S.r.l.

- The item personnel costs refers to the remuneration of the company's key managers. For further details, please refer to the "Report on Remuneration" which will be available on the web site www.mittel.it, "investor relations" section, according to the legal terms.

- The item financial income refers to interest income of EUR 0,7 million accrued by Mittel S.p.A. from Liberata S.p.A., interest of EUR 0,2 million accrued by Fondo Augusto (Augusto Fund) and interest of EUR 0,8 million accrued by Ghea S.r.l. from Bios S.p.A.

54. Additional disclosures on financial instruments and risk management policies

With reference to supplementary disclosures regarding financial instruments and the inherent risks required by IFRS 7 and IFRS 13, aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures and the fair value measurement of financial instruments, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

54.1 Fair value measurement

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Where transactions are directly observable on a market, it may be relatively simple to determine the fair value. Otherwise, valuation techniques are used such as the “market” approach, which use prices and other relevant information generated by other transactions involving similar assets and liabilities, the “income approach”, which consists of the discounting of future cash inflows and outflows, and, lastly, the “cost approach”, which requires that the entity determine a value that reflects the amount that would be required currently to replace the service capacity of an asset.
IFRS 13 establishes a fair value hierarchy that classifies the input of the valuation techniques used to measure fair value into three levels.
The fair value hierarchy assigns the maximum priority to listed prices (not adjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the minimum priority to inputs that are not observable (Level 3 inputs).

The levels used in the hierarchy are as follows:

Level 1 inputs: listed prices (not adjusted) in active markets for identical assets or liabilities which the entity may access at the valuation date. A market is defined as active when prices reflect transactions that occur with a frequency and at sufficient volumes to provide useful information for determining the price on an ongoing basis.

Level 2 inputs: variables other than listed prices included in Level 1 that are directly or indirectly observable for assets or for liabilities. These valuation techniques are used if the instrument to be valued is not listed in an active market. The valuation of the financial instrument is based on market prices taken from market listings of identical or similar assets or through valuation techniques for which all significant values are taken from parameters observable or corroborated on the market.

Level 3 inputs: variables that are not observable for assets or for liabilities. These techniques consist of the calculation of the listed price of the instrument by using significant parameters which are not observable but must reflect the assumptions that market participants would use in calculating the price of the asset or liability, including the assumptions regarding risk.

For the financial instruments outstanding as at 31 March 2017, and for comparative purposes, as at 30 September 2016, the table below illustrates the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis (level 3 includes the book values of unlisted available-for-sale financial assets recognised at cost in the absence of an available fair value):

(thousands of Euro)	31 March 2017 Level 1	Level 2	Level 3	30 September 2016 Level 1	Level 2	Level 3
Available-for sale assets at fair value:						
Investments at fair value with a contra-entry in Other comprehensive profit/(loss)	7.464	18.418	15.965	4.968	19.249	18.158
Investments at fair value with a contra-entry in the Income Statement	-	-	-	-	-	-
Other non-current securities	-	-	51	-	-	51
Financial assets at fair value held for trading:						
Trading derivatives		-	-	-	-	-
Current securities held for trading	1.125	-	-	2.264	-	-
Total assets	**8.589**	**18.418**	**16.016**	**7.232**	**19.249**	**18.209**
Other financial liabilities:						
Hedging derivatives	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 31 March 2017 are shown, for comparative purposes, as at 30 September 2016, indicating the valuation criteria applied and, for financial instruments at fair value, the exposure (income statement or equity), specifically assigning the fair value category. The last column of the table shows, where applicable, the fair value of the financial instrument at the end of the period.

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements											
	Financial instruments at fair value											
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortized cost	Unlisted investments measured at cost	Financial statement total as at 31 March 2017	Fair value as at 31 March 2017		
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3	(B)	(C)	(A+B+C)	Livel 1	Livel 2	Livel 3
ASSETS												
Available-for-sale investments (c)	-	4.816	**-**	-	-	-	**-**	**4.816**	**4.816**	-	-	nd
Available-for-sale investments (a) (d)	-	37.031	**37.031**	7.464	18.418	11.149	**-**	**-**	**37.031**	7.464	18.418	11.149
Available-for-sale debt securities (a) (d)	-	51	**51**	-	-	51	**-**	**-**	**51**	-	-	51
Non-current financial receivables (b)	-	-	**-**	-	-	-	**91.648**	**-**	**91.648**	-	-	91.420
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**145**	**-**	**145**	-	-	145
Other assets (*)	-	-	**-**	-	-	-	**798**	**-**	**798**	-	-	798
Current financial receivables (b)	-	-	**-**	-	-	-	**22.294**	**-**	**22.294**	-	-	22.294
Investments held for trading (d)	1.125	-	**1.125**	1.125	-	-	**-**	**-**	**1.125**	1.125	-	-
Held for trading debt securities (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trading derivatives (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trade receivables (*) (b)	-	-	**-**	-	-	-	**9.338**	**-**	**9.338**	-	-	9.338
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**189**	**-**	**189**	-	-	189
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**96.010**	**-**	**96.010**	-	-	96.010
	1.125	**41.898**	**38.207**	**8.589**	**18.418**	**11.200**	**220.422**	**4.816**	**263.445**	8.589	18.418	231.394
LIABILITIES												
Bonds (current and non-current) (b)	-	-	**-**			-	**(99.477)**	**-**	**(99.477)**	(104.597)	-	-
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**(77.502)**	**-**	**(77.502)**	-	-	(77.601)
Other non-current liabilities (b)	-	-	**-**	-	-	-	**(125)**	**-**	**(125)**	-	-	nd
Other financial liabilities (d)	-	-	**-**	-	-	-	**(12.442)**	**-**	**(12.442)**	-	-	(12.442)
Trade payables (*) (b)	-	-	**-**	-	-	-	**(3.371)**	**-**	**(3.371)**	-	-	(3.371)
Sundry payables (*) (b)	-	-	**-**	-	-	-	**(14.809)**	**-**	**(14.809)**	-	-	(14.809)
	-	**-**	**-**	**-**	**-**	**-**	**(207.725)**	**-**	**(207.725)**	(104.597)	**-**	(108.223)

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at amortized cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured.

Situation as at 30 September 2016

(thousands of Euro)

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements											
	Financial instruments at fair value											
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortized cost	Unlisted investments measured at cost	Financial statement total as at 30 September 2016	Fair value as at 30 September 2016		
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3	(B)	(C)	(A+B+C)	Livel 1	Livel 2	Livel 3
ASSETS												
Available-for-sale investments (c)	-	1.503	**1.503**	-	-	-	**-**	**1.503**	**1.503**	-	-	nd
Available-for-sale investments (a) (d)	-	40.873	**40.873**	4.968	19.250	16.655	**-**	**-**	**40.873**	4.968	19.250	16.655
Available-for-sale debt securities (a) (d)	-	51	**51**	-	-	51	**-**	**-**	**51**	-	-	51
Non-current financial receivables (b)	-	-	**-**	-	-	-	**100.176**	**-**	**100.176**	-	-	99.948
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**145**	**-**	**145**	-	-	145
Other assets (*)	-	-	**-**	-	-	-	**26**	**-**	**26**	-	-	26
Current financial receivables (b)	-	-	**-**	-	-	-	**32.951**	**-**	**32.951**	-	-	32.951
Investments held for trading (d)	2.264	-	**2.264**	2.264	-	-	**-**	**-**	**2.264**	2.264	-	-
Held for trading debt securities (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trading derivatives (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trade receivables (*) (b)	-	-	**-**	-	-	-	**8.504**	**-**	**8.504**	-	-	8.504
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**2.554**	**-**	**2.554**	-	-	2.554
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**84.990**	**-**	**84.990**	-	-	84.990
	2.264	**42.427**	**44.691**	**7.233**	**19.250**	**16.706**	**229.345**	**1.503**	**274.036**	7.233	19.250	245.823
LIABILITIES												
Bonds (current and non-current) (b)	-	-	**-**			-	**(99.183)**	**-**	**(99.183)**	(104.676)	-	-
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**(80.152)**	**-**	**(80.152)**	-	-	(80.251)
Other non-current liabilities (b)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Other financial liabilities (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trade payables (*) (b)	-	-	**-**	-	-	-	**(9.994)**	**-**	**(9.994)**	-	-	(9.994)
Sundry payables (*) (b)	-	-	**-**	-	-	-	**(5.705)**	**-**	**(5.705)**	-	-	(5.705)
	-	**-**	**-**	**-**	**-**	**-**	**(195.034)**	**-**	**(195.034)**	(104.676)	**-**	(95.950)

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at amortized cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured.

Fair value valuation techniques:

The fair value measurement method defined for a financial instrument is adopted on a continuing basis over time and is only modified as a result of significant changes in the market or subjective conditions of the issuer of the financial instrument.
Completing the analyses required by IFRS 13, the additional disclosures concerning the valuation techniques and inputs used to measure fair value on a recurring basis are shown below:

(i) Fair value measurement of financial assets and liabilities:

For financial assets and financial liabilities recognised in the financial statements at amortized cost, the fair value is determined in accordance with the following methods:

- for medium/long-term assets and liabilities, the valuation is carried out through the discounting of future cash flows. The latter method is based on the “discount rate adjustment approach” which requires the risk factors connected with the disbursement of credit to be included in the rate used for the discounting of future cash flows;
- for assets and liabilities on demand with a short-term or undetermined expiry and for the initial disbursements of financial receivables, the book value recognised net of the individual impairment loss is a suitable representation of fair value.

Specifically, for financial receivables deriving from loan operations posted at amortized cost in the statement of financial position, the reference figures relating to the fair value measurement are classified under Level 3 of the fair value hierarchy, and were estimated using the discounted cash flow method. The main inputs used for this measurement are the market discount rates, which reflect the conditions applied in the key markets for receivables with similar characteristics, adjusted to take account of the credit risk of the counterparty.
The nominal value of Cash and cash equivalents generally approximates their fair value considering the short term of these instruments, which mainly include bank current accounts and time deposits.
Bond issues are recognised at amortized cost in the statement of financial position, and the related bonds are listed in an active market. Therefore, their fair value is measured using the prices at the end of the year. Thus, their fair value is classified in Level 1 of the hierarchy.
The fair value of other financial payables is included in Level 2 of the hierarchy and was measured using the discounted cash flow method. The main inputs used for that measurement are market interest rates at period end, adjusted to take account of the market expectations of default risk of the Group implicit in the prices of securities traded by the Group and the outstanding derivatives on Group payables.
For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not significantly differ from their book value, their book values are assumed to be a reasonable approximation of their fair value.
Specifically, the book value of Receivables and other current assets and Trade payables and Other current liabilities approximates their fair value.

(ii) Fair value measurement of equities represented by non-controlling interests recorded in the portfolio of financial assets at fair value held for trading

Measurement of non-controlling interests recorded in the portfolio of financial assets held for trading refers to the current fair value with recognition of the changes in the income statement.
As at 30 September 2016, 100% of non-controlling interests recorded in the statement of financial position under assets held for trading are listed in active markets, for which a listing or a price is available, classified in level 1 of the fair value hierarchy. Instruments listed on active markets, both Official and Over The Counter, fall into this category.

(iii) Fair value measurement of equities represented by non-controlling interests recorded in the AFS portfolio

The valuation techniques used to measure the fair value of the non-controlling interests recognised in the AFS portfolio include:

- the reference to market values that can be indirectly linked to the instrument to be measured and taken from similar products in terms of risk characteristics (comparable approach);
- valuations performed by using inputs not taken from observable market parameters for which use is made of estimates and assumptions prepared by the evaluator (mark to model approach).

In detail, for the fair value measurement of equities, different valuation methods are to be used, which involve the use of inputs deriving from direct transactions, i.e.:

- significant share transactions over a period of time deemed sufficiently short with respect to the time of the valuation and under constant market conditions;
- comparable transactions of companies that operate in the same sector and with any type of product/service supplied similar to those of the investee subject to valuation;
- application of the average of significant stock market multiples of comparable companies with respect to the economic-equity amounts of the investee, and
- the application of analytical financial, profit and equity valuation methods.

The choice from the aforementioned methods is not optional, given that these must be applied in hierarchical order; priority is given to official prices available in active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach), with the lowest priority given to non-observable and, therefore, more discretional inputs (Mark to model approach).
In incorporating all the factors that operators take into consideration in establishing the price, the valuation models developed take account of the time value of money at the risk-free rate, insolvency risks, the volatility of the financial instruments and, if necessary, foreign currency exchange rates.
Shares units of private equity funds and foreign investment vehicles are measured using the last NAV (net asset value) available on a sufficiently active market (level 2).
Where a market is not functioning normally, i.e. when the market does not have a sufficient and continuous number of transactions and volatility is not adequately contained, the fair value of these financial instruments is calculated predominantly by using valuation techniques whose objective is to establish the price of a hypothetical transaction that considers assumptions regarding risk that market participants would use in calculating the price of the asset or liability and that also includes the risks inherent in a specific valuation technique used and the risk inherent in the inputs of the valuation technique.

Variations to financial assets at fair value level 3

As at 31 March 2017, no transfers of financial assets and liabilities at fair value on a recurring basis from level 3 to other levels and vice-versa were made, deriving from changes to significant input variables of observable valuation techniques.
With reference to financial instruments classified in level 3 of the fair value hierarchy, details of changes in the period ended 31 March 2017, including profits/(losses) booked to the income statement, are shown below:

(thousands of EUR)	Financial assets	Financial liabilities
As at 30 September 2016	**18.209**	**0**
(Profit) losses recognised in profit or loss	(324)	0
(Profit) losses recognised in other comprehensive income	(820)	0
Issues/extinctions	(1.048)	0
As at 31 March 2017	**16.017**	**0**

Available-for-sale financial assets measured at fair value level 3 mainly refer: for EUR 10,0 million to Equinox Two (EUR 11,2 million as at 30 September 2016); EUR 3,3 million to Istituto Atesino di Sviluppo (EUR 3,3 million as at 30 September 2016); EUR 1,4 million to SIA (EUR 1,4 million as at 30 September 2016), EUR 1,1 million to Medinvest International (EUR 1,1 million as at 30 September 2016); and EUR 0,1 million to Nomisma S.p.A. (EUR 0,1 million as at 30 September 2016).

54.2 CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities
With reference to supplementary disclosures regarding financial instruments and the inherent risks required under IFRS 7, and aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

Additional disclosures required by IFRS 7 in order to assess the relevance of the financial instruments with reference to the Mittel Group's financial position are shown below:

Financial assets at 31 March 2017	IAS 39 CATEGORIES Financial instruments at fair value	Assets held-to-maturity	Loans and receivables	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	34.383	34.383
Bonds	-	-	-	51	51
Other financial assets	-	-	-	-	-
Non-current receivables:					
Financial receivables	-	-	91.648	-	91.648
Sundry receivables	-	-	1.089	-	1.089
Receivables due from related parties	-	-	-	-	-
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	6.501	-	6.501
Current financial assets:					
Financial receivables	-	-	16.383	-	16.383
Sundry receivables	-	-	5.912	-	5.912
Other financial assets	1.125	-	-	7.464	8.589
Hedging derivatives	-	-	-	-	-
Non-hedging derivatives	-	-	-	-	-
Cash and cash equivalents					
Bank and postal deposits	-	-	96.010	-	96.010
TOTAL FINANCIAL ASSETS	**1.125**	**-**	**217.543**	**41.898**	**260.566**

Financial assets at 30 September 2016	IAS 39 CATEGORIES Financial instruments at fair value	Assets held-to-maturity	Loans and recevaibles	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	37.731	**37.731**
Bonds	-	-	-	51	**51**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	100.176	-	**100.176**
Sundry receivables	-	-	315	-	**315**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	4.063	-	**4.063**
Current financial assets:					
Financial receivables	-	-	27.851	-	**27.851**
Sundry receivables	-	-	5.100	-	**5.100**
Other financial assets	2.284	-	-	4.625	**6.909**
Hedging derivatives	-	-	-	-	**-**
Non-hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	84.974	-	**84.974**
TOTAL FINANCIAL ASSETS	**2.284**	**-**	**222.479**	**42.407**	**267.170**

Financial liabilities as at 31 March 2017	IAS 39 CATEGORIES Financial instruments at fair value	Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings		854	854
Other financial liabilities		2.280	2.280
Sundry payables and other liabilities		125	125
Bonds		98.179	98.179
Current liabilities:			
Loans and borrowings from banks and other lenders		74.369	74.369
Trade payables		3.371	3.371
Sundry payables		11.377	11.377
Bonds		1.298	1.298
Other financial liabilities:			
Hedging derivatives			-
Non-hedging derivatives			-
TOTAL FINANCIAL LIABILITIES	**-**	**191.853**	**191.853**

Financial liabilities as at 30 September 2016	IAS 39 CATEGORIES Financial instruments at fair value	 Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings		-	-
Other financial liabilities		2.280	2.280
Sundry payables and other liabilities		478	478
Bonds		97.873	97.873
Current liabilities:			
Loans and borrowings from banks and other lenders		77.872	77.872
Trade payables		3.106	3.106
Sundry payables		4.958	4.958
Bonds		1.310	1.310
Other financial liabilities:			
Hedging derivatives			-
Non-hedging derivatives			-
TOTAL FINANCIAL LIABILITIES	**-**	**187.877**	**187.877**

54.3 Risk management policies

1. Credit risks

Credit risk represents the exposure of the Mittel Group to potential losses resulting from the non-fulfilment of the obligations assumed by both financial and commercial counterparties. This risk mainly originates from economic-financial factors, or the possibility of counterparty default, or from more strictly technical-commercial factors.
The Mittel Group's maximum theoretical exposure to credit risk is represented by the book value of the financial assets and trade receivables recorded in the financial statements. It should be pointed out that certain credit positions are secured by mortgages and pledges on securities.
Allocations to the allowance for impairment are made specifically on credit positions that present unique elements of risk. By contrast, allocations are made to credit positions that do not present these characteristics on the basis of the average estimated collectability in line with statistical indicators.

As regards credit risk pertaining to income components that contribute to the calculation of net financial debt, it should be noted that the management of Group liquidity is based on prudential criteria and divided into the following areas:
- money market management, entrusted with the investment of temporary cash surpluses during the period, the reabsorption of which is expected within the next twelve months;
- bond portfolio management, entrusted with the investment of a permanent level of liquidity, the investment of that part of liquidity whose reabsorption for cash requirements is expected to occur after twelve months, as well as the improvement of the average yield on the asset.

In order to reduce the risk of the non-fulfilment of the obligations assumed by the counterparty, deposits have been made with leading banks with high credit standing.
In order to minimise credit risk, the Group also pursues a policy of diversification of its use of liquidity and of assignment of credit positions to the different bank counterparties; therefore, there are no significant positions with single counterparties to report.
The Group is not exposed to sovereign debts.

Qualitative information

General aspects

The Group performs its activities in the equity investments, advisory, real estate and healthcare sectors (the latter as a result of the acquisition arranged in this half-year). Credit risk represents the risk of counterparty default with a partial or total loss of capital and of the interest on the credit position.
The analysis of credit risk is a key factor, for the purposes of preparation of the financial statements, in the evaluation of the receivables in the portfolio and as regards their impairment testing required by IAS 39.

Management and the Internal Control and Risks Committee constantly monitor risk positions at collective and individual level.

The risk control department measures the market risks of the Parent Company and those of the individual Group companies, in order to ensure that the overall exposure is monitored.

Quantitative information

Distribution of credit exposures by relevant portfolio and by credit quality.

Credit exposures

Credit exposures: gross and net values

The situation as regards financial receivables is shown in detail below.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Impaired exposures:				
- Impaired exposures	25.255	(21.584)	-	3.671
- Restructured exposures	-	-	-	-
	25.255	**(21.584)**	**-**	**3.671**
Performing exposures				
- Past due exposures	13.894	-	-	13.894
- Other exposures	195.687	(3.282)	-	192.405
	209.581	**(3.282)**	**-**	**206.299**
Total as at 31 March 2017	**234.836**	**(24.866)**	**-**	**209.970**
Total as at 30 September 2016	**242.943**	**(24.791)**	**-**	**218.152**

The data relating to the previous year are shown below:

Type of exposures/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Impaired exposures:				
- Impaired exposures	25.185	(21.509)	-	3.676
- Restructured exposures	-	-	-	-
	25.185	**(21.509)**	**-**	**3.676**
Performing exposures	-	-	-	-
- Past due exposures	13.894	-	-	13.894
- Other exposures	203.864	(3.282)	-	200.582
	217.759	**(3.282)**	**-**	**214.477**
Total as at 30 September 2016	**242.943**	**(24.791)**	**-**	**218.152**
Total as at 30 September 2015	**290.165**	**(24.016)**	**-**	**266.150**

Details of trade receivables as at 31 March 2017 are shown below, by trade receivables not past due (“Falling due” line) and past due receivables, with an indication of the expired period (lines “0-180 days”, and “180-360 days” and “After 360 days”):

	31.03.2017		
	Nominal value	Impairment losses	Net value
Falling due	1.496	(6)	1.490
0-180 days	1.442	(1)	1.441
180-360 days	394	(2)	392
After 360 days	4.350	(4.050)	300
	7.682	**(4.059)**	**3.623**

Positions for which there is an objective condition of partial or total non-collectability are impaired individually. The amount of the impairment loss takes account of the estimate of recoverable flows, the relative collection date and the fair value of any guarantees.
With reference to the valuation criteria of loans and receivables, it should be noted that these financial assets impaired only if there is objective evidence of a reduction in value as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the asset.
Expected losses from future events are not incorporated in the impairment estimates, regardless of the likelihood of occurrence (expected loss). If the presence of impairment is verified, Group companies arrange write-down with reference to each receivable when individually significant or when it becomes significant in consideration of the receivables as a whole.

Group companies calculate impairment according to rules which are differentiated by the different credit accounting methods; in particular, the method for calculating the amount of impairment applicable to the loans and receivables recorded at amortized cost requires the impairment loss on loans and receivables or held-to-maturity investments and recognised at amortized cost to be measured as the difference between the book value of the asset and present value of estimated future cash flows discounted at the original effective interest rate of the financial instrument.
From an accounting point of view, the value of the asset must be reduced directly or indirectly through an allocation to a provision; the amount of the adjustment is recognised in the income statement in the period.

Cash and cash equivalents

Cash and cash equivalents of the Group totalled EUR 96.010 thousand (EUR 84.990 thousand as at 30 September 2016) and are composed of bank deposits.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the Group only uses contacts with a high credit standing.
In this regard, it should be noted that, as at 31 March 2017, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

Guarantees given

The carrying amount as at 31 March 2017 relating to the financial and commercial guarantees issued, assets pledged as collateral in favour of third parties for financial liabilities and irrevocable commitments are shown below:

	31.03.2017	**30.09.2016**
Financial guarantees issued	-	-
Commercial guarantees issued	10.249	10.715
Irrevocable commitments to disburse funds	4.347	5.867
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	2.910	3.069
	17.506	**19.651**

2. Market risks

Interest rate risk

General aspects

Interest rate risk generally refers to the effects of changes in market interest rates on the income statement and on the statement of financial position.
In order to measure and monitor the interest rate risk profile at individual company and consolidated level, reports are generated which ensure the accurate monitoring of the trend in debt rates.
This reporting system makes it possible to continuously record developments in the average lending rate and to determine the impacts of changes in the structure of interest rates on the entire financial statements.

Quantitative information

The table below identifies the book value of the financial assets and liabilities:

Distribution by repricing date of financial assets and liabilities

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	28.581	27.124	-	35.943	91.648
Current financial receivables	22.134	161	-	-	-	-	22.295
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	22.134	**161**	**28.581**	**27.124**	**-**	**35.943**	**113.943**
Liabilities							
Non-current bank loans	-	-	(520)	(333)	-	-	(853)
Current bank loans	(71.795)	(2.574)	-	-	-	-	(74.369)
Other financial payables due to related parties	-	-	-	-	-	(2.280)	(2.280)
Bonds	(1.298)	-	(98.179)		-	-	(99.477)
	(73.093)	**(2.574)**	**(98.699)**	**(333)**	**-**	**(2.280)**	**(176.979)**
Financial derivatives							
Hedging derivatives	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	(50.959)	**(2.413)**	**(70.118)**	**26.791**	**-**	**33.663**	**(63.036)**

The data relating to the previous year are shown below:

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	40.194	26.605	-	33.378	100.177
Current financial receivables	27.951	5.000	-	-	-	-	32.951
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	27.951	**5.000**	**40.194**	**26.605**	**-**	**33.378**	**133.128**
Liabilities							
Non-current bank loans	-	-	-	-	-	-	-
Current bank loans	(77.872)	-	-	-	-	-	(77.872)
Other financial payables due to related parties	-	-	-	-	-	(2.280)	(2.280)
Bonds	(1.310)	-	-	(97.873)	-	-	(99.183)
	(79.182)	**-**	**-**	**(97.873)**	**-**	**(2.280)**	**(179.335)**
Financial derivatives							
Hedging derivatives	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	(51.231)	**5.000**	**40.194**	**(71.268)**	**-**	**31.098**	**(46.207)**

The above tables are based on residual due dates and form a useful means of support also for quantifying liquidity risk. With more specific reference to interest rate risk, however, reference should also be made to the following tables (particularly those provided in the section on sensitivity analysis), which show details of fixed rate and variable rate financial assets and liabilities.

Models and other methods for the measurement and management of interest rate risk

Interest rate risk is a variable to which the Group dedicates considerable attention and has provided the basis for the operational decisions taken, regarding both financing instruments and lending.
The strategic decisions represent an important factor in mitigating risk and involve a moderate impact in respect of unexpected changes in interest rates on the economic value of the Parent Company and of Group companies.

Price risk

General aspects

Market risks encompass the risks generated by market transactions with regard to financial instruments, currencies and commodities.
Market risks are composed of position, settlement and concentration risk, with reference to the trading portfolio; from currency risk and commodity risk, with reference to the entire financial statements.

Qualitative information

As regards the Group's current operations, actual and prospective market risk is low.
In line with the approved strategic lines, the strategies implemented in the current year are extremely prudent and have made provision for limited trading in financial assets, on the basis of a careful assessment of the risks connected to the current phase of market volatility. In particular, activities during the half-year involved the disposal of the residual trading portfolio held.

Quantitative information

Models and other methods for the measurement and management of price risk

As indicated in the section on qualitative information, the Group's current and future market risk is limited, considering the almost complete disposal of the trading portfolio and the consistent reduction also in available-for-sale financial assets compared to previous years.

Currency risk

Qualitative information

General aspects

Currency risk may be generally defined as the effects of variations in the exchange rate of non-Euro currencies on the performance of the Group in terms of economic results of operations and cash flows.
Monitoring of the incidence of the trend in exchange rates as regards transactions realised on securities in the various non-Euro currencies, is carried out through reporting which shows the overall exposure and the incidence on the level of intra-year loss.
These indicators are produced on a daily basis and made available to the managers of the operating and control units.
At the current state of play, the Group has no operations in place in areas subject to currency rate risks.

Quantitative information

The Group has no exposures in foreign currency.

Sensitivity analysis

The exposure to the different market risks is measured through a sensitivity analysis, as envisaged under IFRS 7; this analysis illustrates the effects of a given hypothetical variation in the levels of relevant variables in the different markets (interest rates, prices, currency) on financial expenses and income and, sometimes, directly on equity.

The sensitivity analysis was conducted on the basis of the hypotheses and assumptions shown below:

- the sensitivity analyses were carried out by applying reasonably possible changes in the relevant risk variables to the carrying amounts as at 31 March 2017, assuming that said values are representative of the entire period;
- changes in the value of fixed rate financial instruments brought about by variations in interest rates, generate an impact on profit only when accounted for at their fair value, as per IAS 39. All fixed rate instruments which are accounted for at amortized cost are not subject to interest rate risk, as defined in IFRS 7;
- changes of value brought about by variations in interest rates, variable rate financial instruments which are not part of a cash flow hedging relationship, generate an impact on financial income and expenses in the period; therefore, they are taken into consideration in this analysis.

Interest rate risk – Sensitivity analysis

The variation in interest rates on the variable component of payables and liquidity may involve higher or lower financial expenses/income. In particular, in relation to the variation in interest rates: if, as at 31 March 2017, the interest rates were 100 basis points higher/lower than the rates actually registered, considering the partial sterilisation of interest rate risk through variable rate loans, at income statement level there would be no significant changes in financial expenses.

Breakdown of the financial structure between fixed and variable rates

In relation to the breakdown of the financial structure between the fixed rate and variable rate components, both for financial assets and liabilities, the following tables are considered.
In the preparation of these tables, account was taken of the book value and, as regards financial assets, of the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the contractually defined conditions.

Amounts in thousands of Euro	**31 March 2017**			**30 September 2016**		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Bank loans	-	75.222	**75.222**		77.872	**77.872**
Bonds	99.477	-	**99.477**	99.183	-	**99.183**
Other financial liabilities	2.280	-	**2.280**	2.280	-	**2.280**
Total	**101.757**	**75.222**	**176.979**	**101.463**	**77.872**	**179.335**

Amounts in thousands of Euro	**31 March 2017**			**30 September 2016**		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Financial receivables	43.345	70.598	**113.943**	54.325	78.802	**133.127**
Other financial assets	-	-	**-**	-		**-**
Total	**43.345**	**70.598**	**113.943**	**54.325**	**78.802**	**133.127**

The tables indicated above, relating to financial receivables and payables, include the value of non-interest bearing receivables and payables using a fixed rate.

Effective interest rate

The effective interest rate, for categories for which it can be determined, is the one relating to the original transaction net of the effect of any derivative hedging instruments.

The information, given provided by categories of financial assets and liabilities, has been prepared by using, as a weight for weighting purposes, the adjusted book value of accruals, deferrals and fair value adjustments; therefore, this refers to the amortized cost, net of any accruals and fair value adjustments due to hedge accounting.

Amounts in thousands of Euro

	31 March 2017		30 September 2016	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	96.010	0,20%	84.990	0,18%
Other financial assets	113.943	3,83%	133.127	4,17%
Total	**209.953**	**2,30%**	**218.118**	**2,64%**

Amounts in thousands of Euro

	31 March 2017		30 September 2016	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	75.222	(1,71)%	77.872	(2,28)%
Bonds	99.477	(6,90)%	99.183	(6,90)%
Other financial liabilities - related parties	2.280	0,00%	2.280	0,00%
Total	**176.979**	**(4,58)%**	**179.335**	**(4,61)%**

Currency risk – Sensitivity analysis

As at 31 March 2017 (and as at 30 September 2016), no active and passive financial instruments were denominated in currencies different from the financial statement currency of the individual companies and, therefore, currency risk is not subject to sensitivity analysis.

3. Liquidity risk

Liquidity risk is the risk of a company finding it difficult to fulfil future obligations associated with the financial liabilities given that available financial resources are not sufficient to cover the obligations according to the pre-established terms and due dates.
The Group pursues the objective of having an adequate degree of financial flexibility, by maintaining a solvency margin that allows refinancing requirements to be met at least for the next twelve months through the availability of irrevocable bank credit lines, liquidity and short-term hot money.
The Group's goal is to maintain a balance between the bank credit line capacity and the flexibility of financial resources through the use of overdrafts.

Reference should be made to the table provided above (in the section on interest rate risk) for details of the residual maturities of assets and liabilities.

With reference to the expiry dates of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan set forth for medium/long-term debt assumes particular significance.
Amongst other things, the risk analysis performed is aimed at quantifying, based on contractual expiry dates, the cash flows deriving from the repayment of non-current financial liabilities held by the Group as at 31 March 2017, given that they are deemed relevant for liquidity risk purposes.

For the purposes of presentation of the liquidity risk on the financial exposure of the Group deriving from expected cash flows for the repayment of financial debt and other non-current liabilities, the development of cash flows relating to the plan of payments for annual periods is shown below.

Amounts in thousands of Euro	**expiring within 30.9 of the year:**				
	2017	**2018**	**2019**	**After 2019**	**Total**
Bank loans	71.795	2.574	520	-	74.889
Other loans	-	-	-	2.280	2.280
Bonds	2.996	5.991	105.845		114.832
Derivative financial instruments	-	-	-	-	-
Total	**74.791**	**8.565**	**106.365**	**2.280**	**192.001**

For further information on Mittel Group covenants, reference should be made to the paragraph “Risk of default and debt covenants” in the Directors' Report on Operations.

4. Information on equity

The shareholders have always taken care to provide the Group with sufficient equity to allow it to carry out its activities and to cover risks. For this reason, a portion of the profits achieved has been carried forward over the years.

The objectives of the Parent Company Mittel S.p.A. as regards the management of capital, are based on the protection of the Group’s ability to continue, simultaneously, to ensure profitability for shareholders and to retain an efficient capital structure.

Milan, 24 May 2017

for the Board of Directors

The Chairman

Rosario Bifulco

(signed on the original)

Annexes and supplementary statements

Mittel Group

List of equity investments

	Registered office		Share capital	Nominal value	% Interest	% Availability votes in shareholders' meeting	Business performed	€/000 Book value	End of the year	€/000 Assets Statements of financial position	€/000 Liabilities Statements of financial positions	€/000 Equity	€/000 Profit (loss) for the last year	€/000 Revenue
Investments														
Direct														
Chase Mittel Capital Holding II NV in liquidation	Antille Olandesi	€	18.720	-	27,55	27,55	Financial	-	31 December	-	-	9	-	-
Tower 6 bis S.a.r.l.	Lussemburgo	€	4.500.000	10	49,00	49,00	Investment Holding	16.963	31 December	25.171	21.853	3.318	(757)	-
Liberata S.r.l..	Milano - Italia	€	6.750.000	1	27,00	27,00	Investment Holding	5.400	30 September	61.213	36.953	24.260	4.757	14.300
Bios S.p.A.	Milano - Italia	€	3.000.000	1	34,37	50,00	Investment Holding	35.307	31 December	157.270	74.625	82.645	(39.129)	15
Mit.Fin S.p.A.	Milano - Italia	€	200.000	1	30,00	30,00	Financial	89	31 December	360	93	267	(230)	467
Indirect														
Superpartes S.p.A.	Brescia - Italia	€	331.383		11,89	11,89	Technology	464	31 December	1.172	298	874	(255)	372
Total								**58.223**						

Statement on the condensed half-yearly consolidated financial statements as at 31 March 2017 pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned Michele Iori, the Director in charge of the risk management and internal control system, and Pietro Santicoli, the Manager in charge of financial reporting of Mittel S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures are adequate given the group's characteristics and were effectively applied to prepare the condensed half-yearly consolidated financial statements as at 31 March 2017.

It is also certified that the condensed half-yearly consolidated financial statements for the period ended 31 March 2017:

a) were drafted in compliance with the IFRS endorsed by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and books;

c) provide a true and fair view of the financial position and performance of the issuer and of the group of consolidated companies.

The interim report on operations includes a reliable analysis of the references to significant events which occurred in the first six months of the year and to their incidence on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 24 May 2017

Director in charge of the risk management and internal control system	Manager in charge of financial reporting
Michele Iori	Pietro Santicoli
(signed on the original)	(signed on the original)

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Mittel S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Mittel Group, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 31 March 2017. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Mittel Group as at and for the six months ended 31 March 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 26 May 2017

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit